1978 TURBO ANNUAL REPORT

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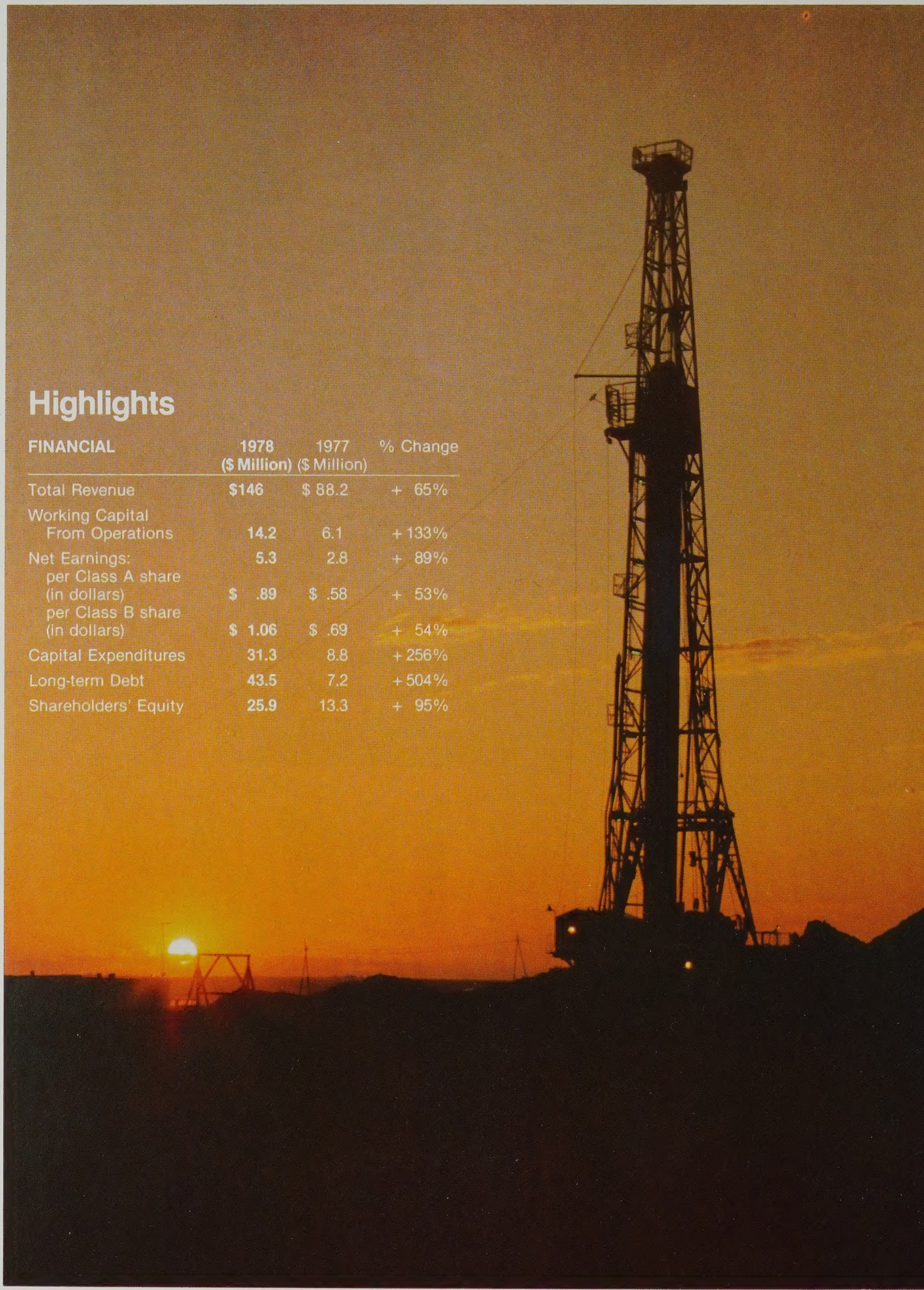
Annual Meeting

The Annual General Meeting of Shareholders of Turbo Resources Limited will be held at the Calgary Inn, 320 - 4th Avenue S.W., Calgary, Alberta, at 3:00 p.m., Monday, May 28th, 1979.


"our strength is in growth . . . our resource is in people"
Turbo
RESOURCES LIMITED
Freeway
TRANSPORT LTD.
RED DEER



Highlights

FINANCIAL	1978 ($ Million)	1977 ($ Million)	% Change
Total Revenue	**$146**	$ 88.2	+ 65%
Working Capital From Operations	**14.2**	6.1	+133%
Net Earnings:	**5.3**	2.8	+ 89%
per Class A share (in dollars)	**$ .89**	$ .58	+ 53%
per Class B share (in dollars)	**$ 1.06**	$ .69	+ 54%
Capital Expenditures	**31.3**	8.8	+256%
Long-term Debt	**43.5**	7.2	+504%
Shareholders' Equity	**25.9**	13.3	+ 95%

Chairman's Message

This message is addressed to the shareholders, employees of the company, and others of the public who have expressed an interest in the progress of Turbo Resources Limited. Expansion of operations and the acquisition of new companies has meant the addition of employees and an increase in the number of shareholders new to Turbo. For these reasons, I believe it is worthwhile at this time to outline briefly the history, accomplishments and management philosophy of the company.

We have a short, but impressive history. It began in 1970, with its first activity as a public company. Controlling interest was acquired in Leduc Calmar Oil Company Limited, which was an inactive Alberta public company listed on the Calgary Stock Exchange. The shares of Leduc Calmar were restructured to acquire C.C. Snowdon Ltd. in July 1970 and Turbo Oil Ltd. in November 1970. All assets and operations of the three original companies continued under the new corporate name, Liberty Resources Limited. In 1971, the shareholders approved a change in name to Turbo Resources Limited.

Through a series of acquisitions and internal expansions, the company has grown from a handful of employees to one which today employs between 1300 and 1700 persons, depending on the season. From oil recycling, gasoline marketing and the manufacture of chemicals and cleaning compounds, we have diversified into oil and gas exploration, oil and gas contract drilling, mineral exploration drilling, oil and gas well servicing, oilfield and industrial chemicals, manufacture and packaging of automotive products, and transportation.

Over the past nine years, the dedication and performance of the employees has helped the company achieve record sales and profits in each succeeding year. The first year of operation (1970) produced $1,131,000 in sales and $19,000 profit. This past year (1978) our revenues reached $146,016,000 and our profit was $5,291,000.

The constant success pattern would not have been possible without high levels of performance by the officers and employees. They consistently have exceeded company objectives. Individual job satisfaction and confidence in the company have been major factors in encouraging our people to perform so well.

The job satisfaction, we believe, comes from the emphasis we place on individual initiative. We encourage, within defined limits, the involvement of all employees in the decision making process. We expect our people to react to opportunities that affect profitability and long-term growth of Turbo and its subsidiaries.

Employees have demonstrated their confidence in the company and in our management philosophy by the fact that most are shareholders. Truly, Turbo's strongest resource is its people.

It will be through the continued co-operation and dedication of our officers and employees that the company will continue to expand its domestic and foreign markets and meet both its growth and profit objectives.

I extend to our officers and employees, and to suppliers, customers and associates, the thanks of the Board of Directors for the unwavering support that has made possible the Turbo success story.

For the Board of Directors

Vance Kenneth Travis
Chairman of the Board

President's Review

In our past annual reports, I have begun my comments with a remark or phrase which has indicated "your company has achieved record growth . . .". The story for 1978 is even better. Because of this, I feel some reflection on the goals we have set out in past reports may best show where our future lies.

Reporting on our first publicly traded year, 1971, a year in which we had 240 net acres of petroleum and natural gas leases, 54 service stations which sold seven million gallons of gasoline hauled in eight trailers, we stated:

> "Your company will deal with all forms of energy in the belief that this field has only begun to show its growth potential . . ."

In 1972 management participated for the first time in an exploratory well at Antelope Lake in southeast Saskatchewan. To our delight this well showed substantial promise, and our decision to expand as an oil and gas exploration company was confirmed. (The well later proved to be uneconomic.) In our 1972 report we stated:

> "The company is in an excellent position to benefit by the expected increases in oil and gas prices in the immediate future."

We realized at that time that our ability to expand would require considerable amounts of capital. We instigated policies which would take maximum advantage of all sources of the capital available to us. These policies remain with the company to this day. Also in 1972, realizing that we had outgrown our local capital area, we listed our stock in the industrial sector of the Toronto Stock Exchange to give us a larger Canadian exposure.

1973 saw a big push on exploration when we participated in the drilling of five wells and stated:

> ". . . the Stock Market has not been able to place a realistic value on our stock" . . . and . . . "Turbo continues to believe in western Canada and its infinite growth potential."

When everyone in 1974 was promoting self-service gas, Turbo came out with "No Gimmick Gas", and sold it with service at prices as low or lower than customers could get at competitive self-service stations. Our customers responded with increased purchases. In that year we entered the Elmworth area with the purchase of 21,600 acres of drilling reservations at an average price of $12 per acre. Recently, land adjoining our leases there has sold in excess of $3,500 per acre.

With the continued exodus of exploration companies during 1974, Turbo was able to acquire larger land positions. In order to do this, we needed more capital dollars. In order to raise the money, Turbo pioneered the development and sale of "Oil and Gas Production Funds". The first $1,800,000 raised in 1975, allowed Turbo to achieve:

> ". . . a position to provide a more continuous balance between exploration and development operations in the future which will result in steady and continued growth of its oil and gas division."

Also in 1975, we paid our first dividend of $0.02 per share, and have since paid a continuous semi-annual dividend to common shareholders. We also have paid a consecutive quarterly dividend on our preferred shares since their issue in September, 1977.

This summary leads us to a remark in the 1977 report which truly highlights Turbo's present situation:

> "Turbo Resources is on the brink of a new era . . ."

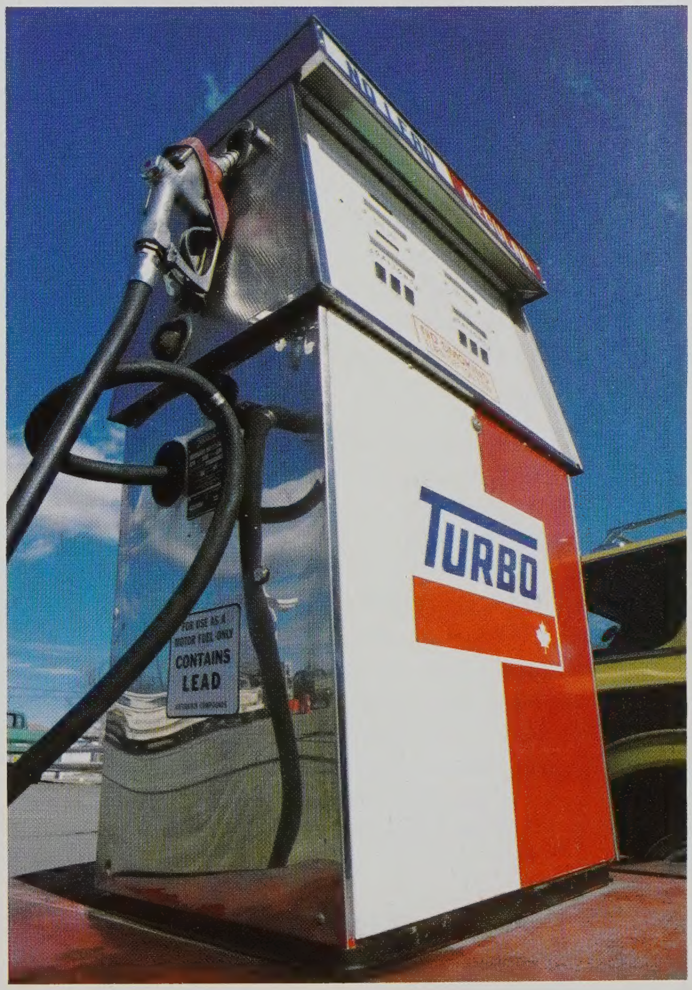
Turbo has grown substantially during the past year, as can be seen by comparing the results of 1978 and 1977. I expect that we also have achieved, in the eyes of employees, shareholders and customers alike, a stature which comes with many years of continued success. But far from resting, we will use this success to build an even larger and substantially stronger company.

In this year's report, we have provided more information than in past years concerning our operating divisions, and we intend to expand this format in future years.

The four main operating divisions, Resource Services, Exploration and Production, Manufacturing, and Marketing and Transportation all continued to expand during 1978. Some, such as Resource Services, continue to operate at an effective 100% capacity. During the year, Resource Services made many strategic moves to increase efficiency. It purchased additional deep capacity land rigs and a large diameter shaft rig. A well servicing company was purchased to increase our service fleet to 22 rigs. Our construction drilling operations in Canada were sold, and our mining exploration drilling operation was enlarged to capture a larger share of the anticipated expansion in mining activity. The Company also purchased a supply company to provide service and parts for our entire operation.

Our Exploration and Production division has added significantly to its land holdings, increasing our gross acreage by 123% to a total of 731,000 gross acres. As a consequence, our company has increased its exposure in two of the most exciting activity areas, Alberta and Texas. During the year, we purchased all of the Canadian properties of Mapco Inc., significantly increasing our oil and natural gas reserves. Also during 1978, we raised $3.5 million in capital through TBR Gas and Oil Production Program No. 5. Like the three previously offered public programs, it was oversubscribed.

Manufacturing division spent 1978, and will spend most of 1979, establishing itself through large capital purchases as the dominant force in the hydrocarbon custom packaging business from Winnipeg to Vancouver. A new 100,000 square foot packaging plant in Edmonton is scheduled for opening in 1979. Our plants now can make the package as well as the product, and we look forward to large increases in sales and profits from this division beginning in late 1979.



Our Marketing and Transportation division is continuing to expand its gasoline sales throughout western Canada on a selected geographical basis. In this area we are beginning to see the return of the price margins which existed prior to 1973, and which provided us with much of the capital necessary to explore for oil and gas. This is occurring because the continued expansion of the Western Canadian market is using up its excess refinery capacity.

For 1979, we separated our real estate operations as a profit centre. We took this action, realizing our real estate has considerable potential, to make greater use of our holdings and develop our idle land.

Our company is no longer a small discount gasoline marketer. Because of this, we are affected, like most other companies, by increased government regulations:

The Petroleum Information Act;
The Energy Allocation Act;
Lack of Northern Land Regulations;
Proposed New Securities Act and Regulations on Oil and Gas Programs;
Metric Conversion;
And many more.

It is imperative that all four levels of government, individual, municipal, provincial and federal, as well as foreign governments, establish ground rules with which business can work for extended periods of time. Business **must not** be cluttered with conflicting regulations that obscure the way ahead. The North American industrial dream was built on individual freedom, initiative, self-discipline and on a principle of common law that the law states only what you **cannot** do. More and more, governments are getting away from this principle and trying to tell people what they **can** do. This creates the frustration that causes people to sit back and do nothing. I am happy to say that this frustration is not evident in our company. One of the reasons for our outstanding growth is the fact that we try not to inhibit our leaders.

As acquisitions provide one of the bases for our growth, we are continuing to look for and analyze companies, both private and public, to which we can apply our management style and expertise. This would allow us to expand at a rate greater than the sum of the companies. While we realize that the numbers are getting larger all the time, we now have a bigger and more expert team and are confident of success. We do not hesitate to sell those portions of our company which do not fit our plan. As a result, we have reduced and clarified our corporate holdings through the sale of some companies and/or their assets, and through the winding up of other companies by consolidation within existing divisions. This process of rationalization will continue.

During 1978 we also altered our share capitalization. Realizing that if we are to continue to grow as we have in the past, we would need more equity financing; and realizing control of successful companies was being pursued actively by many companies more powerful than ours, we created two classes of common shares, class A voting and class B non-voting. By this reorganization the managing employees, who own jointly in excess of 50% of the class A shares, have retained full control of the company. We believe this reorganization will allow for continued expansion and growth to the best interest of all shareholders.

Also during 1978, we increased Turbo's ownership in Challenger International Services Ltd. (formerly Upper Canada Resources Limited) from 34% to

98%. Subsequent reorganization created the basis for our Resource Services Division. This expanded interest required the creation of a Turbo class B warrant and the issuance of class B common shares.

Separate earnings were reported by the company for Class A and Class B common shares. Because of the unique characteristics of the common shares, earnings per share can be calculated by several methods. The calculation method selected is considered most representative of the interests of shareholders of each class of shares. For further detailed information, readers should refer to Note 12 in the Financial Statements.

Turbo is a growth company. The success of the company is demonstrated by the fact that our stock is included by the Toronto Stock Exchange in the 300 companies which make up the Industrial Composite Index. The company also has been listed by Business Life magazine as 75th among top companies in western Canada in 1977, and as 61st in 1978 before the year-end final results were known. The Turbo organization is responsible for five issues on various Canadian exchanges:

Turbo Resources Limited, class A common shares
Turbo Resources Limited, class B common shares
Turbo Resources Limited, class B warrants
Turbo Resources Limited, $8^3/_4$% cumulative redeemable first preferred, series A shares
Challenger International Services Ltd., class A special shares

As our company is continuing to expand it will require more capital. To gain wider exposure to sources of capital, we are considering the possibility of listing in the United States of America. This listing would enable us also to look more closely at the acquisition of American companies.

It is not without some cost that we have achieved this growth over the past years. Many excellent people, since our beginning, have left their mark on this company and have gone on to other endeavors. While I will mention only a few of them that come quickly to mind, such as Jack Donald, Bob Williams, Barry Schneider, Fred Peacock, Ted Johnson, Howard Watkins, Ralph Bruinsma and Ed Agnew, I would like to express my appreciation to all. I also want to thank Carl O. Nickle, who is retiring from the Board after serving as a Director since 1972. His advice and counsel will be missed. Many more excellent people remain with the company and it is their loyalty and effort that will propel the company into the "new era" of '79 and beyond.

This company has been built by its employees using their skills with enthusiasm and devotion, by our dedicated dealer organization, by customers who return again and again, and by shareholders who continually voice support for our endeavors by their investments in our company. With this strong backing we have a company which operates in eight countries of the world and whose star is still rising.

Thank you all for your support.

Robert G. Brawn

Robert G. Brawn
President and Chief Executive Officer

Resource Services

	Six Months Ending Dec. 31, 1978 ($000)	Years Ending Dec. 31 1978 ($000)	Dec. 31 1977 ($000)	% Change '77–'78
Revenue	**$ 40,449**	$ 67,407	$ 45,658	+ 48%
Capital Expenditures	**10,180**	25,049	6,005	+317%
Net Fixed Assets	**34,240**	34,240	18,057	+ 90%
Drilling Rigs	**22**	22	17	+ 29%
Service Rigs	**22**	22	5	+340%
Mineral and Construction Rigs	**45**	45	64	− 30%

A major and exciting diversification for Turbo occurred when Challenger International Services Ltd. became a subsidiary company in July, 1978. This step has provided our company with a broad range of resource servicing capabilities. During the fiscal year, two other companies were added to the Resource Services Division which again increased the range and depth of servicing available to the resource industry through our company. These were Bishop Machinery & Supply Co. Ltd., of Edmonton, Alberta, and Pine Well Servicing Company (1977) Ltd., located at Nisku, south of Edmonton.

To give readers an opportunity to realize the history and potential of this division we have shown six month revenues, comparison of '78 vs. '77 as well as some 5 year graphs.

The Resource Services Division operates under the names of Challenger Drilling, Pine Well and Challenger Well Servicing, Challenger Rentals, Bishop Machinery & Supply, Heath and Sherwood Drilling, and Drill Systems. It is engaged in oil and gas well drilling and well servicing, mineral exploration drilling, construction drilling, oilfield equipment rentals, machinery and oilfield supply sales and the manufacture of specialty rigs and drilling tools. The scope of activity is national and international.

The division has achieved record sales due to the high level of activity in the resource exploration field, and with the heavy demand for these services expected to continue, the division will be a major contributor to both revenues and profits of Turbo Resources Limited.

Challenger Drilling

Challenger Drilling is one of the major Canadian contractors in oil and gas well drilling, with over 30 years of experience. It operates 21 drilling rigs in Canada. Eighteen rigs are rated in the 9,000 and 22,000 foot range, two have 6,500 foot ratings, and one rig is a specialized large diameter shaft drilling rig rated to 3,000 feet with a 12-foot diameter hole. All the rigs, with the exception of the shaft drilling rig, have been contracted virtually 100 percent of the time in the past year on a cost-plus basis, and it is believed that this trend will continue in the foreseeable future. Seventeen of the rigs presently are on firm term contracts of varying lengths or are working under 300-day notice of contract cancellation clauses.

The large diameter shaft rig is on standby and essentially has been completely rerigged. Also rerigged and put into operation in 1978, were four additional land drilling rigs.

The shaft rig is contracted to a major energy resource operator to drill an uranium mining exploration and development program in New Mexico. Work is to commence in September of 1979. This drilling technique is a new and exciting venture for our firm and is based on proven operating concepts. This will broaden our operating expertise and may be used on a world-wide basis in the ensuing years.

During the past year, we have added personnel to the drilling staff in engineering, personnel and safety to enable us to meet the high demand put on our services and to assist in our efforts to diversify our operations. Recently, a major program has been undertaken aimed at daily preventive maintenance of the rig machinery and the rig drilling strings. A program has been initiated which will continue to upgrade all existing rigs to meet ecological, governmental and customer requirements.

The Drilling Division also offers a management supervision labour contract service and has been heavily engaged in drilling operations offshore in the Beaufort Sea for the past three seasons. We presently are operating under an extended term contract which now has been increased to include four offshore drill ships, plus the supporting silo barge and base camp operations. During the summer peak we will have 260 employees working at this site, of whom 15% will be native peoples.

Challenger Well Servicing

The well servicing group experienced a major change in the past year with the addition in October of Pine Well Servicing Company (1977) Ltd. The acquisition of this oil and gas well servicing company increased our staff of qualified personnel and added 15 fully equipped rigs to our inventory. At year end, we had a total of 20 rigs operating in Alberta. The headquarters for this group has been moved to the Pine Well location in Nisku Industrial Park.

New operating bases have been investigated, and a new and important base has been established in Grande Prairie. We also have instituted a preventive maintenance and planned overhaul program in this division.

We now have one of the larger Canadian based well servicing contractor organizations, offering the industry highly efficient service with dedicated personnel having considerable expertise in all aspects of well servicing techniques. Our rigs are fully equipped to handle servicing or completion requirements on wells ranging from 3,000 to 16,000 feet.

Active consideration is being given to enlarging this operation further on a planned step-by-step basis.

Challenger Rentals

Challenger Rentals has experienced a rapid expansion which nearly doubled gross revenues over the past year. Here, as in the other petroleum oriented operations, the staff has been hard pressed to meet the customers' requirements due to the present high level of activity. By adding some new staff and extra effort by the original staff, we have managed to meet this challenge.

Challenger Rentals offers the petroleum industry a wide range of modern, well-maintained equipment, capable of meeting the most complex rental requirements. We have one of the largest and most efficient inventories available in Canada.

Due to the rapid growth in this business, plans are being studied to move the operation to larger premises within the Edmonton area.

Bishop Machinery & Supply

A new division engaged in the machinery equipment and supply business was added to the company in June of 1978, with the acquisition of Bishop Machinery & Supply Co. Ltd., located in Edmonton. Bishop Machinery & Supply provides sales and service for Texoma equipment in western Canada, as well as Swinger hydraulic loaders, Stanley hydraulic tools and an assortment of other industrial equipment. It has diversified into the oilfield supply business and is building a staff and inventory that will be capable of supplying a wide range of oil drilling and production equipment to the industry.

Mineral Exploration Drilling

The Heath and Sherwood Division based in Toronto is one of the oldest, well-known and respected mineral drilling operators in Canada. It presently has 36 rigs which it operates in Canada and other countries.

A recent resurgence of mineral exploration activity, plus an aggressive marketing and operating policy, has resulted in a number of significant contracts. The most notable ones are at Pine Point, Northwest Territories; Thompson, Manitoba; and at Butte, Montana, where the division's special expertise and equipment have been used successfully once again in wireline coring and/or drilling ultra deep exploration holes. Other operations have been expanded significantly in western Canada and an operations base has been established in Calgary to service this market.

In addition to these ventures, the traditional Canadian markets with contracts in Sudbury and Kirkland Lake in Ontario, Ungava in Labrador, and in northeast Saskatchewan, continue. Work at the New Caledonia operation also has been renewed for another year.

A corporate decision was made in 1978 to reorganize the construction drilling activity operated in Canada and the United States under the names of Becker Drills Ltd., Becker Drills Inc., and Becker Alaska Limited. The majority of the Canadian assets were sold, resulting in a decrease in the number of construction rigs as at December 31, 1978.

Responsibility for future ventures in this field will be handled by Heath and Sherwood in Canada with the remaining U.S. based operations realigned with personnel from Heath and Sherwood. This has resulted in a leaner, one entity division which will be equipped to offer a full line of drilling services on a world-wide scale to the mineral exploration, mining and construction industries.

Challenger Limited

Challenger Limited was formed to operate in the international market place representing all services that the company provides. Presently, we are operating one oil and gas drilling rig with a 15,000 foot drilling capacity, two service rigs and one water well rig with support equipment in Libya. We also have a contract to provide labour and management services for one rig in Syria.

Also during 1978 a 50% jointly owned Company was formed to undertake mineral exploration drilling in South America. Eight mineral rigs were shipped and one purchased in South America, all of which have been under contract since the beginning of 1979.

Drill Systems

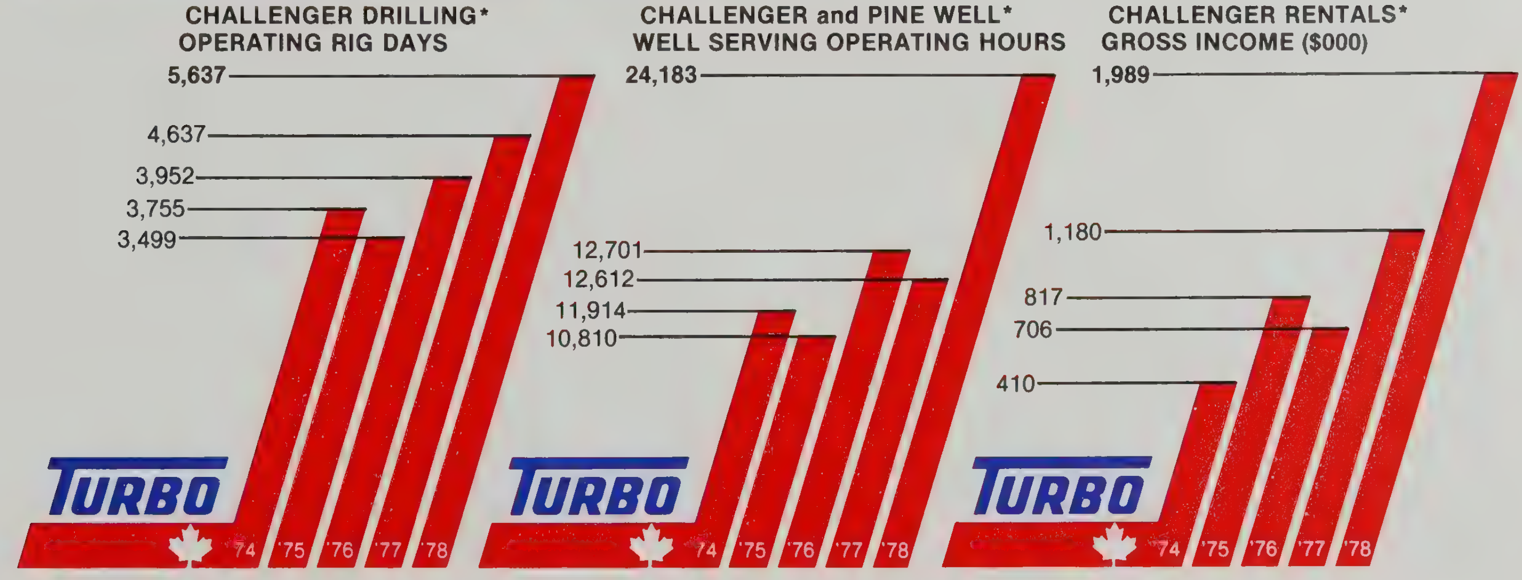
Drill Systems is involved in the manufacture of specialty rigs and drilling tools. Steps were taken during 1978 to reduce the deficit experienced by this company in recent years. We will continue to monitor the company closely during 1979 to effect greater savings, with the ultimate aim of returning the company to a sound operational base.

SUMMARY

The Resource Services Division recorded gross revenue of 40 million dollars in the last six months of 1978. These results are included in Turbo's consolidated financial statements.

The foreign based subsidiary companies and joint venture companies that handle our international operations are investigating further work for all our service related operations in Africa, the Middle East, the Far East, and South and Central America. In addition to services, sales efforts for our manufacturing business have been, and will continue to be, pursued on a worldwide basis.

The Resource Services Division anticipates surpassing 80 million dollars gross revenue for the full 1979 fiscal year. All potential operations and acquisitions pertaining to our various operating fields will continue to be examined and pursued vigorously. We are currently investigating some promising prospects. In addition to continuing our concentration to expand our present domestic market we will continue our efforts on a global basis. Our operating and sales people have a wide range of experience and expertise, and they and management both maintain a positive approach.



*Includes only North American Operations.

Exploration and Production

	1978 ($000)	1977 ($000)	% Change
Revenue	**6,998**	5,805	+ 21%
Capital Expenditures	**17,897**	6,705	+ 167%
Net Fixed Assets	**24,084**	9,810	+ 146%
Gross Acres	**731,000**	327,800	+ 123%
Net Acres	**193,000**	101,511	+ 90%
Wells Drilled —			
Exploratory	**48**	23	+ 109%
Development	**37**	18	+ 106%
Reserves — Proven and Probable BCF Equivalent	**76.0**	52.1	+ 46%

(Conversion 1 barrel of Oil equal 6 MCF Gas.)

The 1978 operations of the Exploration and Production Division have been extremely active. Turbo continued to concentrate on expansion into known hydrocarbon areas having potential for early access to markets and a favourable risk/reward relationship. We invested substantially in exploration and production in northeastern British Columbia, Alberta, Saskatchewan, midwestern United States and Texas.

PRODUCTION AND RESERVES

Production during 1978 increased 92% over 1977, to 1.384 BCF (billion cubic feet) of natural gas and 108,838 STB (stock tank barrels) of oil. Sales increased despite allowable cutbacks in Canadian and U.S. gas production and the fact that most of the new gas production only came on stream during the last quarter of 1978.

New gas production was tied-in at Gopher, B.C.; Bindloss, Dapp, and Manyberries, Alberta; and Mitchell Creek in east Texas. The Mapco purchase contributed to the production increase in 1978, however, the full impact will be evident in 1979. An additional well in Three Hills and four wells in Hamilton Lake were waiting tie-ins at year end, and are expected to be completed by July, 1979. These additional wells will increase the company's annual gas production by 600 MMCF (million cubic feet).

Increased oil production was realized at Taber through development drilling, and at Golden Spike through well reworks and facility modifications.

Proved reserves after production, acquisitions, and sale of TBR Gas and Oil Production Program No. 5, were up 22.9 BCF to 63 BCF, 57% over 1977. This increase was primarily due to reserves booked for discoveries in the Anadarko Basin in the United States; Knopcik and Wapiti in the Elmworth area, Three Hills, Michichi, Okotoks, Owlseye and Hamilton Lake in Alberta; and Maple and Osborn in British Columbia. Increases for existing reserves were added for Morinville, Alberta, and Mitchell Creek, east Texas, and for the Mapco acquisition.

LAND

During 1978 we increased our holdings by 91,500 net acres to 193,000 net acres, of which 35,000 net acres were acquired in Crown sales and earned by farm-ins in Canada, and 4,000 net acres by farm-ins in Texas. It is of interest to note that we were able to increase our net acreage despite intense competition for land in active exploration areas of Alberta and British Columbia, and resultant record high average land prices.

Effective September 1, 1978, an additional 52,500 net acres of Petroleum and Natural Gas Leases were added through the purchase of the Canadian Oil and Gas Properties of Mapco Inc., an Oklahoma based company.

Lands included in the purchase are in Alberta and are concentrated in Hamilton Lake, North Coleman, Carbondale, Delburne, Phoenix, Penhold and Wilson Creek. The 52,500 net acres includes undeveloped lands amounting to 39,000 net acres which offer Turbo attractive future exploration opportunities.

The production increase for Turbo's account will amount to about 6.5 MMCF from North Coleman, Hamilton Lake, Delburne, Penhold, Phoenix and Wilson Creek producing properties.

Turbo paid $2.5 million (U.S.) cash plus a net profits interest in certain of the purchased properties. The purchase provides Mapco with a position of no gain or loss on the properties at net carrying value of $7.5 million (U.S.) and will give Turbo major short and long-term benefits.

DRILLING

Turbo participated in the drilling of 85 wells in Canada and the United States during 1978. This was an increase of 44, or 107%, over the total number of wells drilled in 1977. A breakdown by numbers of the various wells drilled is shown in this report. These statistics indicate that we achieved an overall success rate of 60% in our 1978 drilling program.

Successful exploratory gas wells were drilled at Elmworth-Wapiti-Knopcik, Three Hills, Judy Creek, Michichi, Okotoks, Spruce Grove and Dapp in Alberta, at Maple, Aspen and Osborn in British Columbia, and Roberts County in Texas. Exploratory oil wells were completed at Pluto, B.C.; Chin Coulee and Chauvin, Alta.; and at Roberts County in Texas.

Development gas wells were drilled in Hamilton Lake, Leduc and Bindloss, Alta., and Gopher, B.C. Development oil wells were drilled in Alberta at Taber and Hamilton Lake, in Saskatchewan at Frys, Storthoaks, and Queensdale, and in Roberts County in east Texas.

Following are highlights of the division's drilling activity in selected areas of major activity.

Texas (see map)
Turbo participated in the drilling of five wells in the Anadarko Basin play of north Texas in 1978, resulting in a significant oil discovery at Ledrick No. 1 in the Upper Morrow formation at 9,200 feet. Three additional wells were completed in the play, the last well, Ledrick 2-8 tested at 550 BOPD. At this writing a stepout location Ledrick 1A-54, drilled about 2,000 feet south of the Ledrick 2-8 well, tested in excess of 300 BOPD from the Upper Morrow Sand to extend the reserves of this play. Turbo holds a 21.75% working interest in 7,000 acres surrounding this play. Two additional locations are planned for 1979. Also planned is the construction of a gas pipeline and field processing facilities to conserve solution gas associated with oil production. Completion of these facilities is scheduled for June, 1979.

Hamilton Lake

Turbo purchased Mapco's 100% working interest in Hamilton Lake, which comprised 33,000 net acres of land, 163 marginal or suspended wells, four central batteries and inactive water flood plants valued in excess of $2 million.

The company plans to abandon many of the wells, and the surplus equipment will be sold or used elsewhere.

Included in the purchase was an 8,000 acre undeveloped area south of the main pool which, late in 1978, showed excellent results from three of four test wells. Also, test drilling on an 8,000 acre farm-in of contiguous lands has produced a Viking oil well and a Belly River gas well which drill stem tested at 1 MMCFD. Turbo holds a 50% working interest in this farm-in.

Dapp

We hold varying interests from 27.5% to 100% in over 7,000 acres in this area, which were farmed out in 1978 following the drilling of a dry hole in 1977. The farmee drilled one dry hole, and successfully completed one well to the Clearwater Sand formation, which was placed on production in the last quarter of 1978, at a rate of 2 MMCFD. We hold a 7.5% GORR (gross overriding royalty) on the well until payout and then the company converts to a 27.5% working interest.

Manyberries

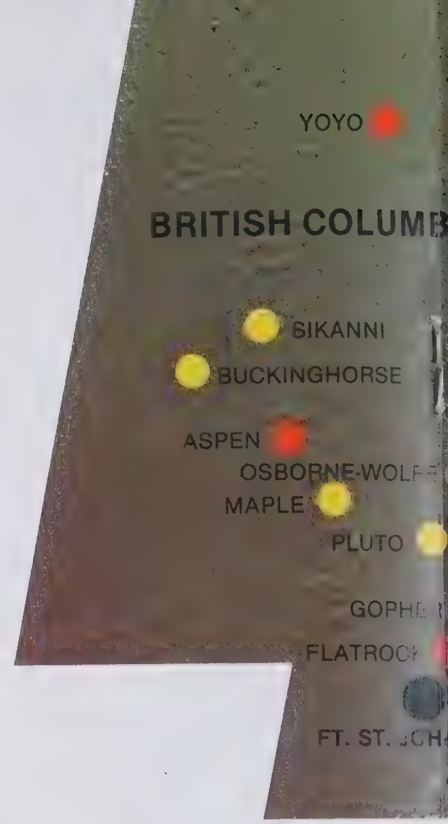
A 1976 discovery well in which Turbo has a 15% overriding royalty was being tied into production facilities at year end, and it is anticipated that gas sales will begin in 1979, at a rate of 2 MMCFD. The royalty is convertible to 45% working interest after payout of well costs.

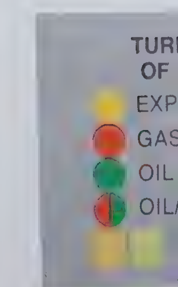
The company also has a 45% working interest in 960 acres offsetting the well, and a 25% working interest in 7,360 acres in the immediate area. Two wells drilled in the larger block in 1977 are marginal producers. A follow-up well drilled in 1978 was dry, and abandoned. Despite the disappointing results, the property contains 6.730 BCF of proven gas reserves in the Sunburst Sand. Further follow-up drilling will depend upon extended production performance of the existing wells.

Bindloss

A six-well development drilling program was successfully completed in 1978. One well was drilled north of the Red Deer River (Turbo share 7.5%) and five wells were drilled on the south side of the river (Turbo share 39%). The new wells, production testing at over 0.1 MMCFD each, were tied into the gathering system during the third quarter in conjunction with the construction of the pipeline river crossing.

All wells on the south side of the river went on production in November, 1978, at a rate of 1.2 MMCFD.





BIA

BO AREAS
INTEREST
LORATION

GAS

TURBO LAND HOLDINGS

DETAILED MAPS
LOCATION
GAS
OIL
OIL/GAS
ABANDONED

Elmworth-Wapiti-Knopcik (see map)

The company interests in this exciting 50-mile trend vary from 2% to 25% in over 50,000 acres, including interest in four shut-in Paddy gas wells. During 1978, we participated in the drilling of six wells, and by year end 35 BCF of gas reserves had been proved up on lands in which Turbo holds an interest. Turbo's share is 6.4 BCF, and prospects are very good for increasing the reserves by the 1979 drilling program.

Of the wells drilled, four were multi-zone wells in the Elmworth-Wapiti-Knopcik region. All are at varying degrees of completion with three of the wells having over seven prospective sands in them. More than 26 MMCFD of combined well deliverability has been developed so far, with good prospects for doubling this figure when the completion work is finished.

The remaining two wells were drilled on the north flank of the trend in Knopcik. One well, in which Turbo holds an 18.75% working interest, flowed gas at 3.2 MMCFD during an extended production test. The other, in which Turbo holds an 18.9% share, is a multi-zone gas well drilled to the shallow Paddy formation that tested 1 MMCFD from the Paddy Sand and 0.45 MMCFD through perforations of a second sand. There are three Doe Creek Sands wells waiting completion. Based on offset well data, these wells should produce at least 0.5 MMCFD from the Doe Creek zones.

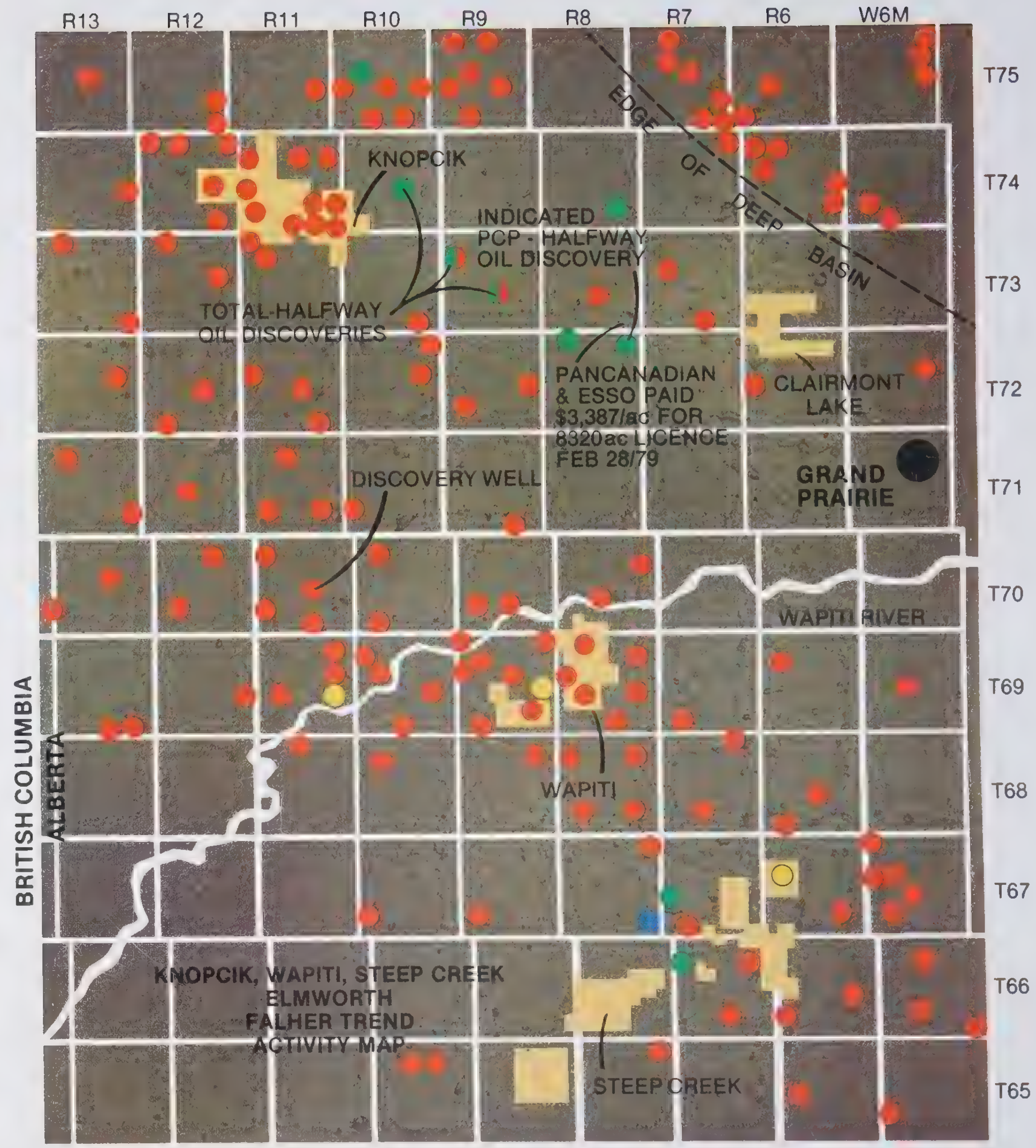
A detailed 50 mile seismic program was shot during the past winter to define a series of anomalies at the Halfway-Doig level underlying Turbo's lands. Further shooting for specific anomalies will be done during 1979.

Also during 1979, the company plans to drill two 7,500 Triassic Doig tests to evaluate the exciting deep potential of our Knopcik lands. These lands are on trend with a number of recently announced Triassic Halfway oil and gas discoveries, from which rates in excess of 1000 BOPD have been reported. In addition, a Doig gas discovery immediately offsetting our lands has calculated flow rates in excess of 42 MMCFD.

Gopher, B.C.

The 1977 Halfway gas discovery well went on stream in November, 1978, at a rate of 2 MMCFD (Turbo's share 50%). A follow-up well, in which Turbo's working interest is 25%, was drilled in June, 1978, and tested gas in the Belloy and Halfway. After completing the well, the Belloy tested approximately 100 MCFD of gas, but the Halfway Sand proved to be water bearing. The well is currently standing waiting further completion work in the Belloy and testing of the Siphon Sand.

During the last quarter of 1978, Turbo and partners drilled a deep test to the Leduc formation at 10,000 feet, approximately three miles north-west of the 1977 well. This has been the deepest well drilled in this area to date. It provided encouraging drill stem tests, but was abandoned as uneconomical.

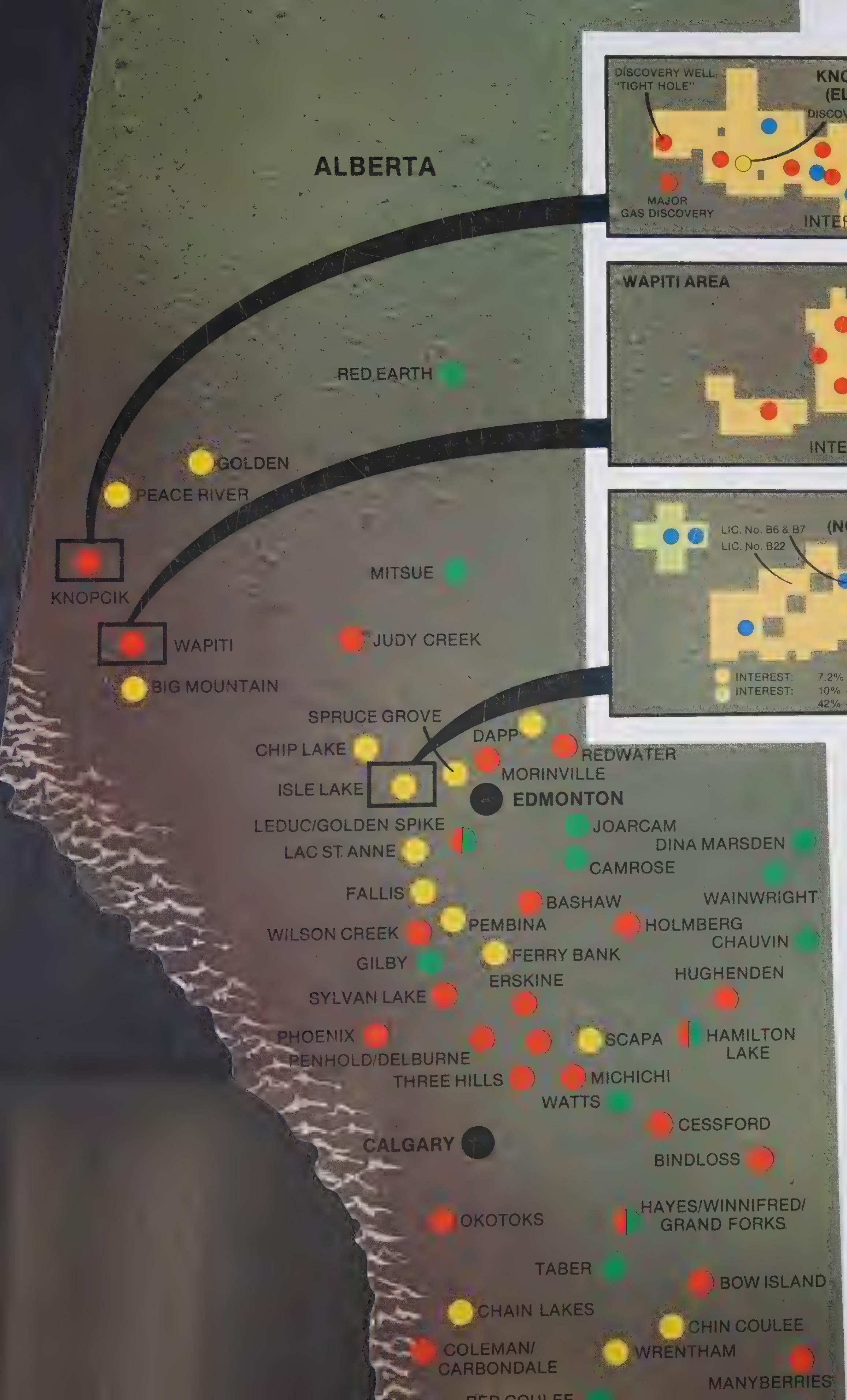


Taber

Turbo's participation in the drilling and development of the oil reserves in the Taber area of southeast Alberta continued aggressively throughout the year. Nine wells were drilled resulting in seven oil wells and two dry holes. This increased daily pool production from 900 BOPD (barrels of oil per day) to over 1,500 BOPD.

A working interest of 11.426% in the proven acreage and 23 wells in the Taber Sand was sold to TBR Gas and Oil Production Program No. 5, with Turbo retaining an approximate 4% interest in the land and wells. The company also retains approximately 15.5% working interest in the unproved acreage.

Under evaluation at the end of the year is a nine well, 40 acre spacing development program for 1979. This program could increase the pool production rate to over 1,800 BOPD and provide for more effective drainage.



PROSPECTIVE ACTIVITY AREAS

Following are some of the major prospects for activity which we have at the present time.

North Pembina

Seismic programs were conducted over both Isle Lake blocks during 1978. The program over the Isle Lake — West block which was operated by Turbo and shows strong shallow and deep anomalies. Further shooting will be done to define a deep Devonian Nisku anomaly while a shallow test is planned in 1979, on the Cretaceous feature.

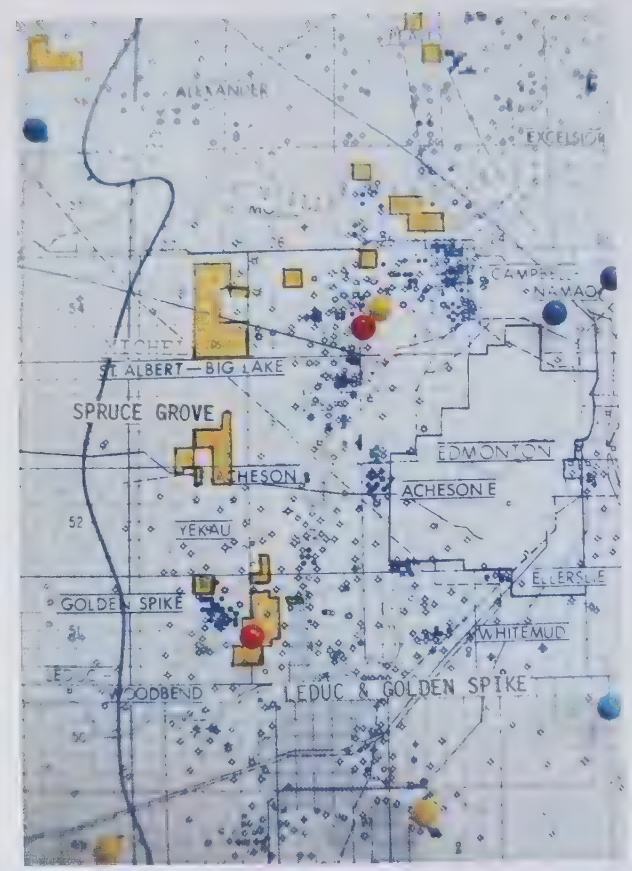
The Isle Lake — East block was also shot in 1978, and further work, including the drilling of a deep Nisku test, may be done in 1979, on seismically defined features.

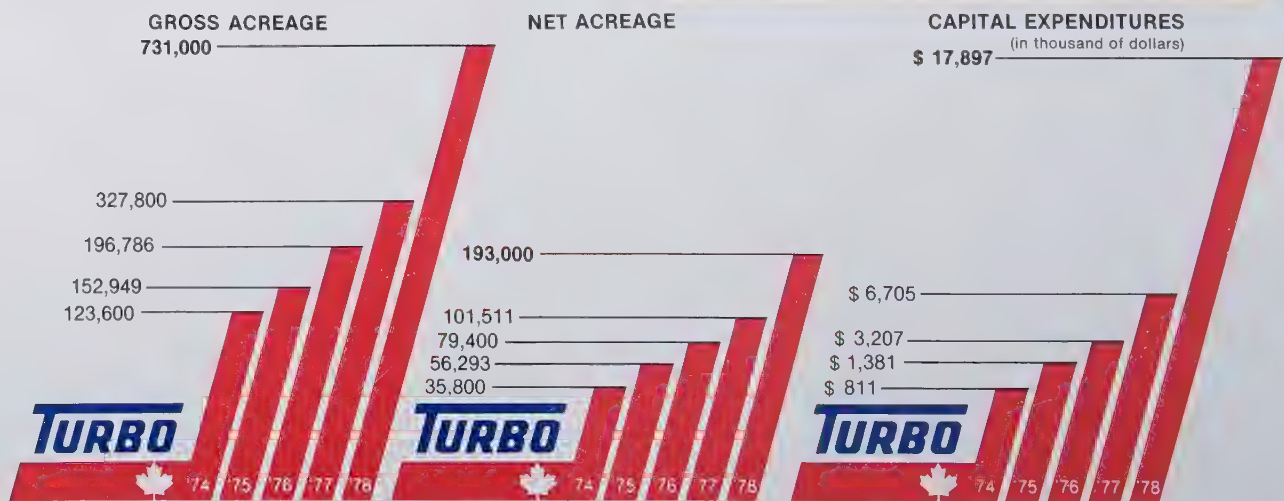
Golden

At least one 5,500 foot Precambrian test is planned during 1979 on the Golden-West prospect. The number of locations drilled and costs of land sold during the past year indicate a renewed interest in this area and its oil and gas potential. The Golden-West is a multi-zoned prospect now supported by detailed seismic shot by Turbo in 1978. The primary target of the play is a Swan Hills equivalent reefal buildup. Offset production occurs in similar Devonian reefs in the Golden Field, which has 20 million barrels of recoverable oil. Both Mississippian carbonates and Cretaceous sands also show potential in the area.

Montana

Turbo plans an aggressive multi-well exploration program during 1979 for Nisku oil fields in the Tule Creek area of Montana. This part of the Williston Basin has experienced a sudden increase in exploration activity, and Turbo has an extensive land position in this area. The economics of exploring for oil production in the Tule Creek area are very favorable and we plan to maintain a high profile there.





Nebraska

In an attempt to build a strong exploration base in the United States, we have acquired an interest in 350,000 acres (70,000 net acres) in Nebraska. The lands are comprised of various sized leases averaging 3,800 acres which extend over a 7,000 square mile area. There is excellent potential here for large gas reserves in the recently rejuvenated Niobrara chalk play. This prospect originated in north east Colorado and now extends north from there into western Kansas, up through Nebraska, and probably into South Dakota. Deeper potential lies in numerous Pennsylvanian sandstones which are oil productive south of our lands.

Oklahoma

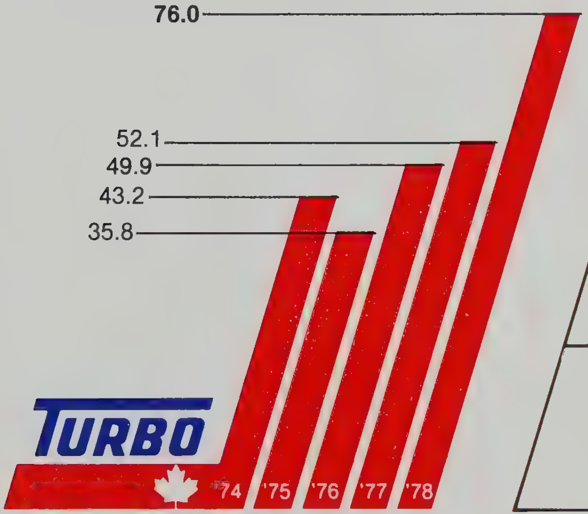
Deep gas plays in the Oklahoma portion of the Anadarko Basin are being pursued by our division. At this writing, we are participating in a 19,000 foot test that is directly on trend with a significant deep discovery well having indicated reserves of over 75 BCF per section. Production mainly occurs from the Red Fork, Morrow and Springer Sands. The play is seismically controlled and additional locations are indicated by the present data.

OUTLOOK

The company has allocated an extensive budget to maintain an active program of exploration, development and acquisition during 1979. We shall continue to emphasize the placing of shut-in gas on production. To that end we have dedicated most of our shut-in reserves to Pan Alberta conditional contracts subject to renewal in July, 1979. In the interim, prospects for alternative markets are being investigated.

This division will strive to maintain a competitive growth position by participating in prospective areas with the highest return potential for capital invested.

PROVEN AND PROBABLE OIL AND GAS RESERVES (BFC)



WELL DRILLING LOG

	GAS 1978	GAS 1977	OIL 1978	OIL 1977	DRY 1978	DRY 1977	DRILLING AT YEAR-END 1978	DRILLING AT YEAR-END 1977	TOTAL WELLS DRILLED 1978	TOTAL WELLS DRILLED 1977
EXPLORATORY	19	9	4	1	23	10	2	3	48	23
DEVELOPMENT	14	10	14	6	8	2	1	—	37	18
TOTAL	33	19	18	7	31	12	3	3	85	41

Marketing and Transportation

	1978 ($000)	1977 ($000)	% Changes
Revenue	**86,316**	74,003	+ 17%
Capital Expenditures	**1,654**	1,497	+ 10%
Net Fixed Assets	**8,246**	7,278	+ 13%
Gasoline and Fuel Sales (Thousands of Gallons)	**104,800**	93,400	+ 12%
Number of Outlets	**221**	214	+ 3%
Average Gallons Per Outlet (Thousands of Gallons)	**474**	436	+ 9%

Turbo's Marketing and Transportation divisions in 1978 achieved yet another year of record highs in total sales volume and volume per station. These achievements resulted in record profits for the division, and a growth rate that continued to be better than that of the industry as a whole.

We are pleased with the continued increase in the average volume per station. In 1978 the average rose by 9%, from 436,000 gallons to 474,000 gallons. The overall increase since 1971 exceeds 264%. We feel this reflects increasing confidence in Turbo and an increasing level of customer satisfaction.

We introduced a bold new image for our service stations in 1978 through a new sign program. The new station sign features the corporate name over a prominent red stripe containing a white maple leaf. In addition to the new signs, we continued a program of visual and physical upgrading for more of our key outlets.

We persisted during 1978 in our belief that western Canadian motorists prefer to have someone pump gasoline into their cars rather than do it themselves, particularly when the price is competitive. We converted some of our limited number of self-serve outlets back to full service which resulted in significant increases in sales volumes. We plan to continue our "Pumper People" theme for the foreseeable future.

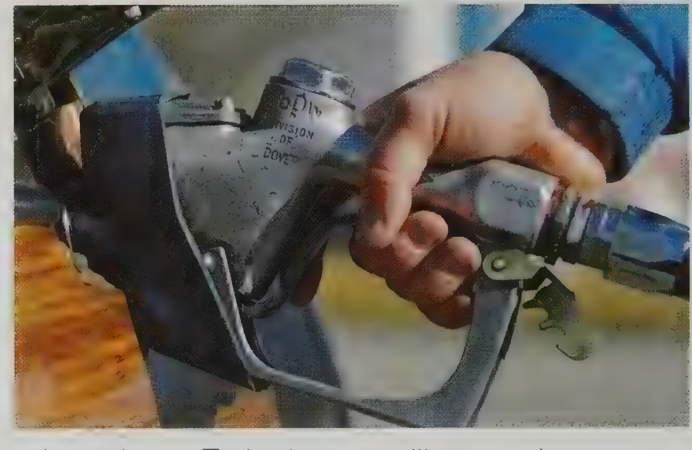
We believe our emphasis on providing full service outlets dispensing quality products at competitive prices, coupled with the enhancement of our visual image, contributed significantly to the continued success of our marketing operations in 1978.

An additional factor has been the valuable contribution made to our success by the independent business people that comprise the majority of our dealer organization. Our marketing theme and visual image may attract customers, but it is the dealers who provide the quality of service expected that maintains customer satisfaction and, thus, contributes considerably to repeat business.

Turbo now has a total of 221 outlets, a net increase of seven from our 1977 total. Of these, 63 are owned by Turbo Properties Ltd., a wholly-owned subsidiary.

Of the 221 outlets only two are operated by Company personnel. Our reliance on independent operators arises from our belief that free enterprise arrangements are better for the operator, and the company. The leasing and supply arrangements we have with our operators allow us to remain competitive and to react immediately to any change in market prices that could jeopardize our competitive position.

Regular leaded gasoline continued to be our number one product during 1978, representing 83% of our total gasoline sales. "No Lead" Regular accounted for 12% of our volume, while Premium leaded sales accounted for 4%. Diesel fuel contributed 1% to the

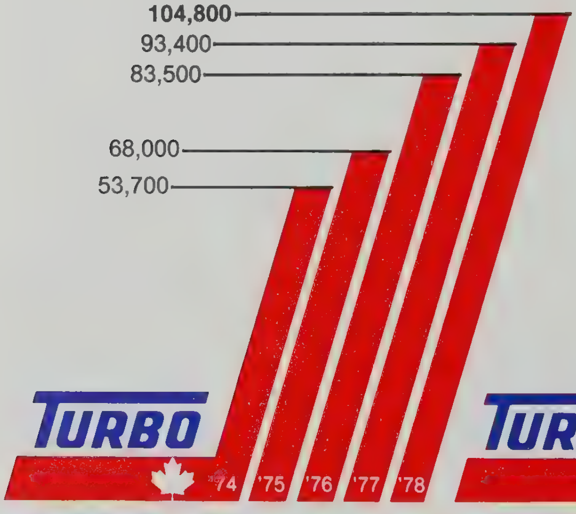


sales volume. Turbo began selling premium unleaded fuel, in place of leaded Premium, early in 1979.

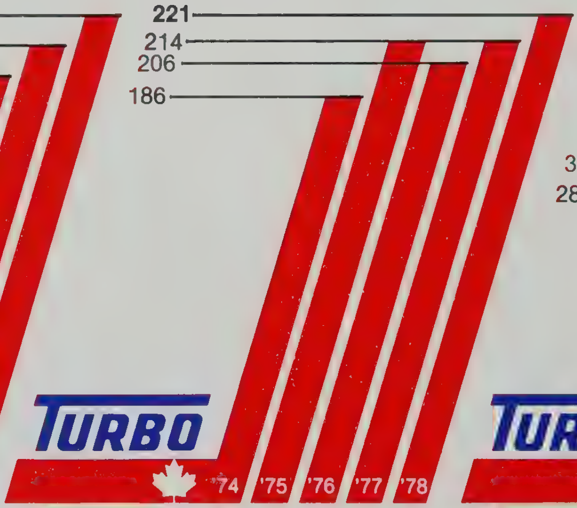
As indicated in the graph, Alberta continues to be the province in which we have the largest sales volume. Saskatchewan is second, British Columbia third, and Manitoba fourth. Our volume in the Northwest Territories is growing at a satisfactory rate.

Initial steps toward metric conversion were completed during 1978, but the marketing concept adopted by Turbo differs from our competitors'. We plan to provide Imperial measure to our consumers as long as realistically possible up to the government's deadline of December, 1980. Thus we will continue to provide our consumers with gallons; pump island service; and very competitive prices.

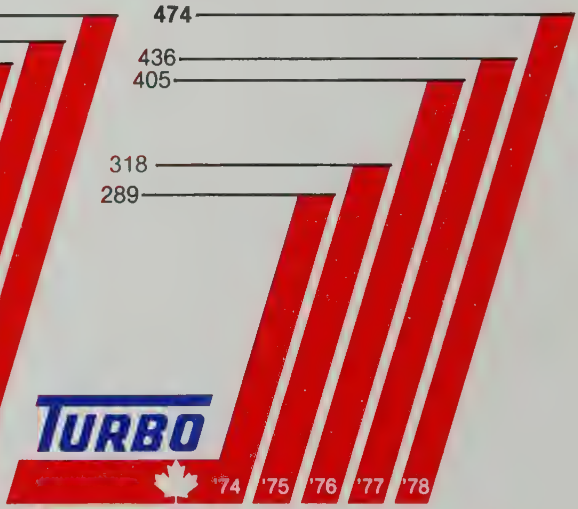
GASOLINE and FUEL SALES
(Thousands of Gallons)



NUMBER OF OUTLETS



AVERAGE SALES per OUTLET
(Thousands of Gallons)



In the meantime, as a service to our customers we have made available through Turbo outlets a chart which relates prices per gallon to prices per litre. A sample chart is reproduced with this report. The reaction so far to this small added service has been positive.

Arrangements were made for Turbo stations to start honouring Master Charge cards in early 1979. We have accepted Visa (Chargex) cards since 1971. The company believes it is to our advantage to provide a credit card service for our customers. By accepting these internationally recognized cards, the company avoids the undue cost of an in-house credit card system.

In 1979, the Marketing Divisions will continue to pursue selective expansion of our dealer organization, particularly in British Columbia and Manitoba. Improvements in our visual image have been assisting us in gaining entry to many new market areas, particularly suburban shopping centres. We are utilizing very attractive, yet reasonably priced, modular buildings, and intend to pursue these markets aggressively through presentations to developers throughout western Canada. Turbo has had, and will continue to have, the aim of providing quality petroleum products at the lowest possible prices, with service, to all possible western Canadian motorists. We have established ourselves as one of the leaders in discount petroleum marketing in western Canada, a position we intend to maintain.

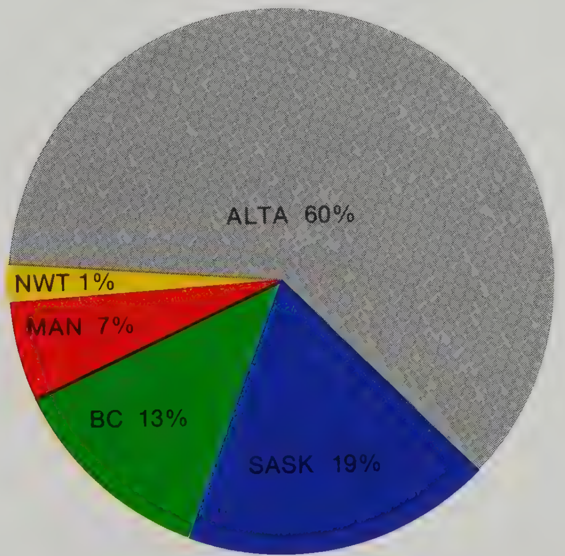
We anticipate substantial increases in our petroleum sales volume in 1979, and early results seem to bear this out.

Freeway Transport in 1978 achieved record levels of volume carried and revenues, but increased operating costs in all phases of operations caused profits to be somewhat eroded.

Our fleet at year-end totalled 26 highway tractors, 27 tank trailer combinations, one van and one highboy. Continuous replacement has increased our total cargo capacity to 198,750 gallons, including five 7-axle trains of 10,000 gallons each.

Reorganization of our administrative and dispatching functions has improved our ability to serve more and varied customers. We now operate transports from Vancouver, Edmonton, Red Deer, Calgary, Saskatoon and Regina. We regularly haul bulk chemicals, filter clay, packaged goods, concrete pipe, steel pipe, sod and waste oil as well as nearly all of Turbo's petroleum products.

Freeway will continue to upgrade both fleet capacity and equipment quality in order to service further the transportation needs of western Canadians. With the improved efficiency effected by the dedicated efforts of management, dispatchers and drivers, we are confident that Freeway in 1979 again will achieve new levels of volume carried.



1978 GASOLINE and FUEL SALES BY REGIONS

AUTOMATIC METRIC PRICE CONVERTER

Litres	Gals.	Litres	Gals.	Litres	Gals	Litres	Gals.	Litres	Gals.	Litres	Gals.	Litres	Gals.
14.5	**65.9**	16.1	**73.2**	17.7	**80.5**	19.3	**87.7**	20.9	**95.0**	22.5	**102.3**	24.1	**109.6**
14.6	**66.4**	16.2	**73.6**	17.8	**80.9**	19.4	**88.2**	21.0	**95.5**	22.6	**102.7**	24.2	**110.0**
14.7	**66.8**	16.3	**74.1**	17.9	**81.4**	19.5	**88.6**	21.1	**95.9**	22.7	**103.2**	24.3	**110.5**
14.8	**67.3**	16.4	**74.6**	18.0	**81.8**	19.6	**89.1**	21.2	**96.4**	22.8	**103.6**	24.4	**110.9**
14.9	**67.7**	16.5	**75.0**	18.1	**82.3**	19.7	**89.6**	21.3	**96.8**	22.9	**104.1**	24.5	**111.3**
15.0	**68.2**	16.6	**75.5**	18.2	**82.7**	19.8	**90.0**	21.4	**97.3**	23.0	**104.6**	24.6	**111.8**
15.1	**68.6**	16.7	**75.9**	18.3	**83.2**	19.9	**90.5**	21.5	**97.7**	23.1	**105.0**	24.7	**112.2**
15.2	**69.1**	16.8	**76.4**	18.4	**83.6**	20.0	**90.0**	21.6	**98.2**	23.2	**105.5**	24.8	**112.7**
15.3	**69.5**	16.9	**76.8**	18.5	**84.1**	20.1	**91.4**	21.7	**98.6**	23.3	**105.9**	24.9	**113.2**
15.4	**70.0**	17.0	**77.3**	18.6	**84.6**	20.2	**91.8**	21.8	**99.1**	23.4	**106.4**	25.0	**113.7**
15.5	**70.5**	17.1	**77.7**	18.7	**85.0**	20.3	**92.3**	21.9	**99.6**	23.5	**106.8**	25.1	**114.1**
15.6	**70.9**	17.2	**78.2**	18.8	**85.5**	20.4	**92.7**	22.0	**100.0**	23.6	**107.3**	25.2	**114.6**
15.7	**71.4**	17.3	**78.6**	18.9	**85.9**	20.5	**93.2**	22.1	**100.4**	23.7	**107.7**	25.3	**115.0**
15.8	**71.8**	17.4	**79.1**	19.0	**86.4**	20.6	**93.6**	22.2	**100.9**	23.8	**108.2**	25.4	**115.5**
15.9	**72.3**	17.5	**79.6**	19.1	**86.8**	20.7	**94.1**	22.3	**101.4**	23.9	**108.6**	25.5	**115.9**
16.0	**72.7**	17.6	**80.0**	19.2	**87.3**	20.8	**94.6**	22.4	**101.8**	24.0	**109.1**	25.6	**116.4**

Manufacturing Division

	1978	1977	% Change
	($000)	($000)	
Revenue	13,982	8,102	+ 73%
Capital Expenditures	1,306	127	+928%
Net Fixed Assets	3,038	2,003	+ 52%
Production Capacity	(000's Litres)	(000's Litres)	
Blow moulding plastic containers	12,740	—	—
Filling plastic containers	49,000	5,050	+870%
Filling metal containers	15,000	7,000	+114%
Lube oil blending	38,700	25,000	+ 55%
Chemical blending	5,700	2,500	+128%
Lube oil recycling	5,500	5,500	—
	(000's sq. ft.)	(000's sq. ft.)	
Total Production Area	160	100	+ 60%

The Manufacturing Division provides Turbo Resources with a solid base for earnings growth through the use of technology, production facilities, and trained competent people. The major objective of the Division is to develop a strong competitive position in markets with growth potential through the manufacture of quality lubricants and chemicals. Our company has committed substantial funding for a program of plant construction, research and product development which we pursued during 1978, and will be continuing in 1979.

This progressive investment philosophy is one of the reasons why Turbo has become a leader in the industry.

Automotive Chemicals

The automotive chemicals branch is involved in the manufacture, blending and packaging of lubricants, antifreeze, windshield washer fluid, brake fluid, hydraulic oils and other automotive specialties. Turbo expanded its capabilities in this area nearly 100% in January, 1978, with the purchase of the assets of Linwo (Western) Limited in Edmonton. The assets included the most modern automotive chemicals blending and packaging plant in Western Canada, and blow molding equipment for the manufacture of plastic bottles in varying shapes. With its acquisition, Turbo became western Canada's leading custom blender and packager for high demand consumable automotive products, and its only integrated major manufacturer of plastic bottles and automotive chemicals.

A second acquisition of assets in the first quarter of 1978, expanded our manufacturing operations to Winnipeg, Manitoba. The plant and equipment of Burmah-Castrol Canada Ltd. purchased in March included a fully equipped lube oil storage, blending and packaging plant of 5,000 square feet. The plant is located on a one acre site.

The equipment and plant additions made during 1978 have given our company the capability of providing total customized packaging, both for its automotive chemical products, and for its customers. The Automotive Chemicals branch is capable of: manufacturing a quality product and blending it to customer specifications; manufacturing a distinctive plastic container for the product; filling and labelling the container; packaging the containers and storing the packaged product until it is required.

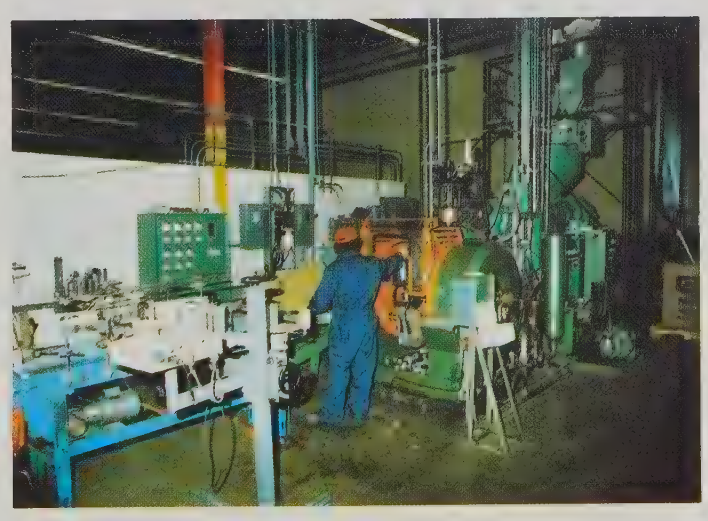
Another important part of our Automotive Chemicals branch is the operation of Petroleum Marketers. The Red Ram brand of industrial, commercial and consumer lubricants has been well known for more than 35 years. It continued to enhance its reputation during 1978 as a quality lubricant line in applications where performance is the measurement of quality. Red Ram lubricants are used throughout western Canada in trucks, compressors, automobiles, and a wide variety of heavy equipment engines.

1979 will see the consolidation of our Edmonton plants in a new 100,000 square foot building to be called "Turbo Centre". "Turbo Centre" will fulfill a part of our objective to provide customers with continuously improving products and services. This new building, which has an area equivalent to one and a half Canadian football fields, will be the most modern blending, blow molding, labelling, filling, packaging and storage facility available anywhere in Canada.

The Automotive Chemicals operations expects a considerable increase in annual production during 1979.

We anticipate:

- a 70% increase in the blow molding of plastic containers, to a total of 22 million, litre size containers;
- a 70% increase in plastic containers filled, to a total of 84 million;
- a 500% increase in metal containers filled, to a total of 95 million;
- a 25% increase in lube oil blending production, to a total of 48 million litres.



Industrial Chemicals

This branch of our operation is involved in the development and manufacture of high technology oilfield stimulants, flocculants, water treatment chemicals, descalers, degreasers and other related industrial chemicals. We made a major investment during 1978 in people and product technology to develop a unique line of Alberta-made industrial chemicals.

Our objective has been the development of the special technology needed to improve oilfield production through the use of chemicals, and we have made considerable progress toward fulfilling that objective. The staff involved has developed and patented our new TCH-705 family of chemicals used for stimulation treatment of oil and gas wells. The results achieved normally exceed the results obtained through conventional treatments. Stimulation treatment is becoming more important to the oil and gas industry as the search for added reserves continues. It also is becoming more financially attractive with increasing world oil prices. We believe we are in an excellent position to exploit our new chemical treatment process, and we plan future major applications in both the Canadian and export markets.

We also foresee major applications for our industrial water treatment chemicals and proprietry formulations used in descaling and degreasing of industrial equipment within the Alberta Tar Sands and heavy oil industries.

Specialty Chemicals

Our company, which has been manufacturing and marketing specialty chemicals throughout its entire history, has organized these activities under the modern product label of Bramco. We expect in 1979 to complete the consolidation of our specialty chemicals plants in Burnaby, Calgary and Regina under our division to be known as Bramco Industries. We anticipate that our chemical blending output in 1979 will increase some 35% to a total of 7.7 million litres.

Bramco products include a wide range of institutional chemicals for hospitals, food processing plants and restaurants, janitorial chemicals for cleaning, consumer chemicals for household use, water treatment chemicals for commercial boilers, and car wash supplies. In addition, Bramco's specialty product lines include marine water proofing materials, fireproofing materials, pesticides, agricultural and other chemicals.

Refining

Having the largest oil recycling refinery in Canada and a talented and productive research team, Turbo maintains its position as the leading lube oil recycling refiner in the nation.

Our research scientists this year achieved additional refinements to the hydrotreating lubrefining process pioneered by Turbo, and we have applied for several new Canadian patents covering their developments. These further refinements ensure that our process remains technologically superior to any other lube re-refining process in use today. This is particularly important to the company and its shareholders, as the technology that has been developed may in itself become a saleable item in the near future on the international market. It also will be important in providing Turbo with the most modern and efficient system available when our planned refinery is approved and constructed.

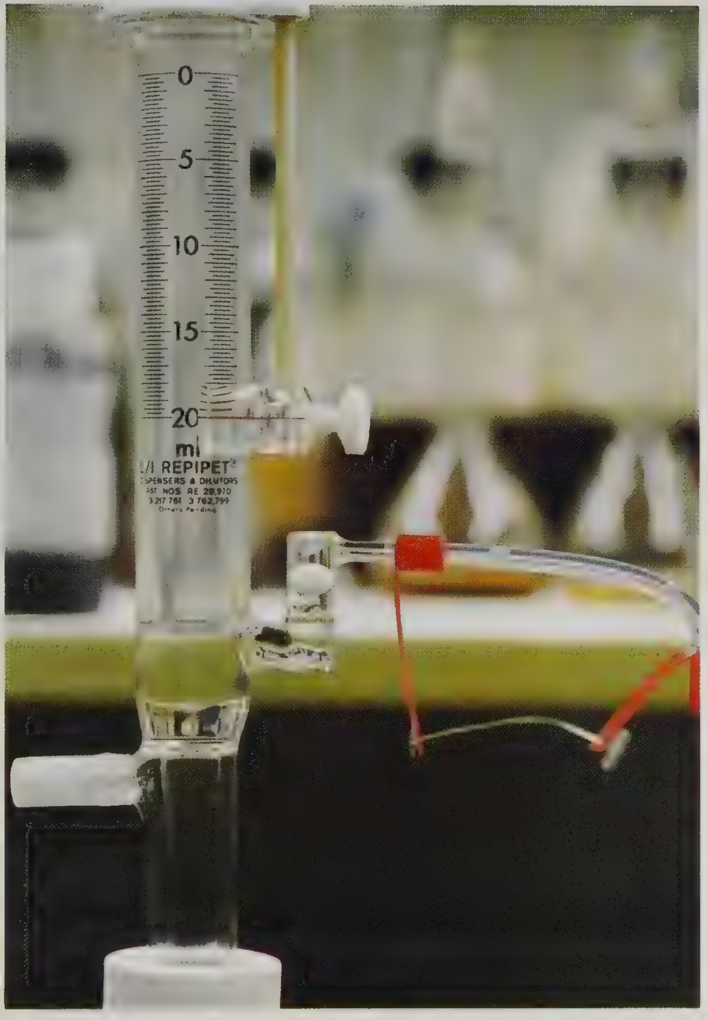
It is unfortunate that Canadians do not recognize as they should the financial and ecological benefits to be gained by recycling lubricating oils. It is even more unfortunate that they do not recognize the ecological damage to our environment caused by the continued use of waste oil on gravel and dirt roads, and the dumping of used oil on any available vacant piece of land, or in any available river or stream.

Used lubricating oil is a valuable commodity, as our company well knows, and it will become more valuable as oil prices increase and the supplies of oil begin to dwindle. It is one petroleum product that can be recycled successfully. Our recycling refinery at Edmonton continues to prove that point, and our product which is refined to industry specifications is blended and packaged for increasing industrial use. The major customers for our recycled oil continue to be Canada's major railways.

Turbo will continue in 1979 its efforts to gain approval for the construction of a new refinery. We intend to apply for permission to use about 8,000 barrels per day of condensate and crude oil in the production of gasoline, diesel and other fuels in addition to our recycling operation. In the meantime, we expect our Edmonton recycling refinery will increase its production by 23%, to a total annual output of 6.8 million litres.

Quality Control and Research

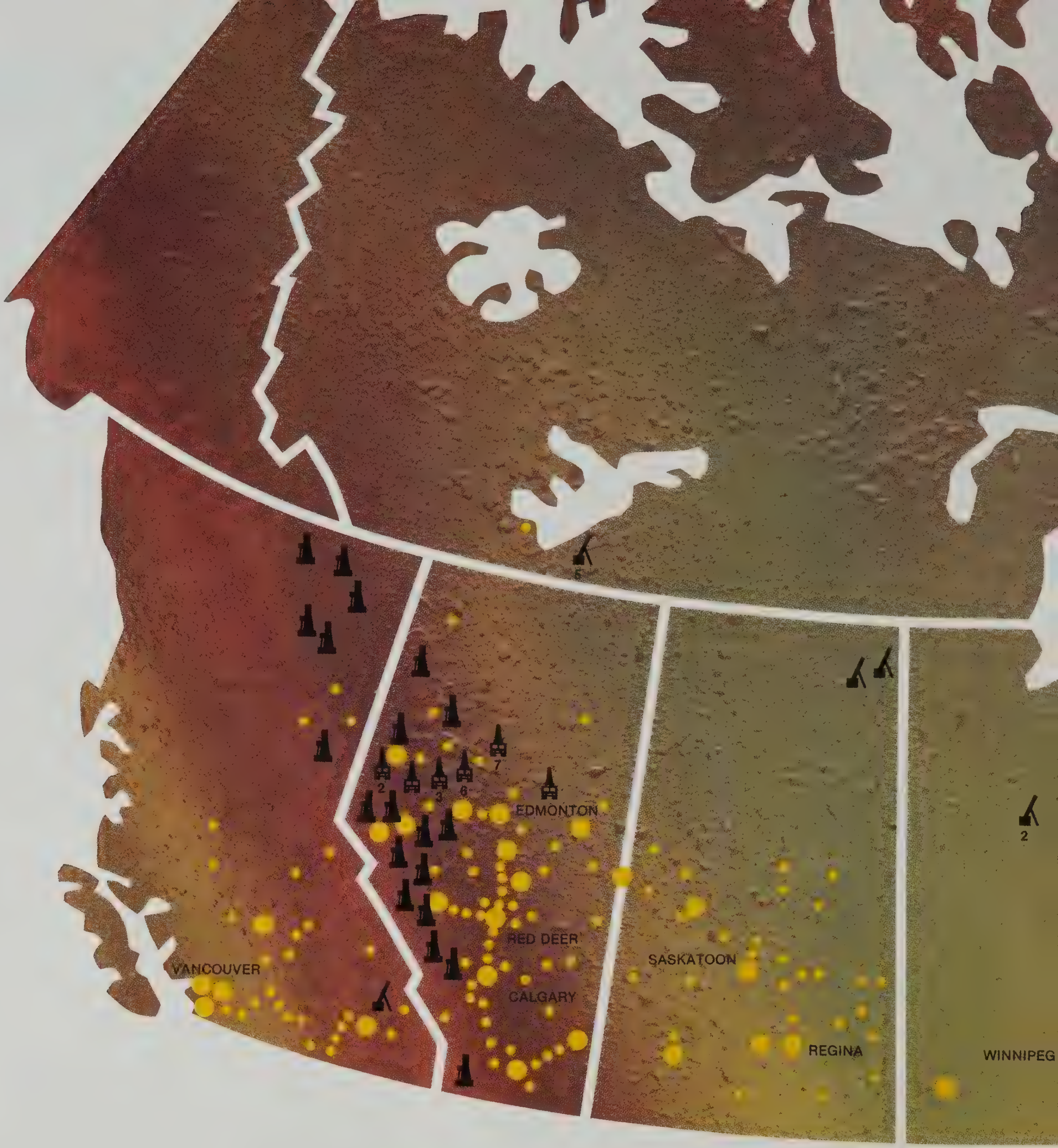
Mention was made previously of the valuable role our research scientists have played in the development of our lubrefining process. But that is not the only area in which research aids our company. The staffs at our three research facilities in Burnaby, Edmonton and Calgary provide research into the development of new products and production techniques in all fuel and chemical lines. And what is equally important to the success of our company, they are heavily involved in Turbo's quality control program. It is through their efforts with our manufacturing personnel that Turbo products meet all required specifications.

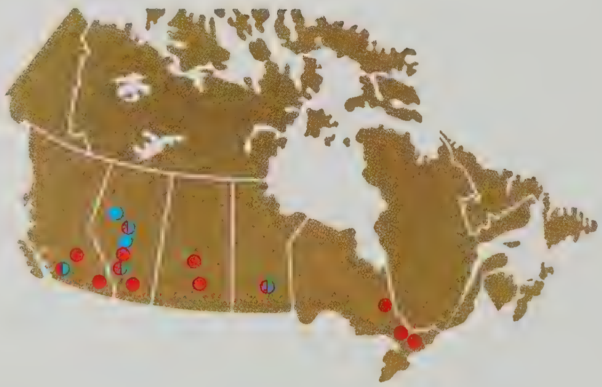


Outlook

The Manufacturing Division looks forward to 1979 as a year of positive achievement. We shall continue our programs of consolidation, modernization, research and expansion. We now have blending and packaging facilities located across the west, in Burnaby, British Columbia; Calgary and Edmonton, Alberta; Regina, Saskatchewan and Winnipeg, Manitoba. With the opening in 1979 of the new Turbo Centre in Edmonton, the combined area of the Division's blending and packaging plants will be 210,000 square feet, an increase of 31% over 1978.

We are proud of our achievements within our Division, and we believe they provide a sound basis for the continued growth of our company. We are proud, too, of the dedicated, competent people within our Division who exemplify the fact that at Turbo we are doing things now to ensure financial growth for the future.





- CANADIAN OFFICES.
- CANADIAN PLANTS.
- LOCATIONS WITH BOTH OFFICES & PLANTS.

FOREIGN AREAS OF INVOLVEMENT

LIBYA

MALTA

NETHERLANDS

NEW CALEDONIA

SOUTH AMERICA

SYRIA*

UNITED STATES

*Labour Contract

LEGEND

CHALLENGER RIGS

HEATH AND SHERWOOD

TURBO - OIL & GAS

OFFICE(S)


LEGEND
SERVICE STATIONS
SERVICE STATIONS
MULTIPLE LOCATIONS
DRILL RIGS
SERVICE RIGS *
MINERAL RIGS*
*MULTIPLE LOCATIONS IDENTIFIED
BY NUMBER BENEATH RIG.

Affiliated Companies

	% OWNERSHIP 1978	1977
BANKENO MINES LIMITED	**23%**	23%
NORTHWEST SAND & GRAVEL LTD.	**33%**	33%
OILEX INDUSTRIES LTD.	**42%**	41%
QUEENSTON GOLD MINES LIMITED	**44%**	22%

BANKENO MINES LIMITED — (public company listed on Toronto Stock Exchange)

Bankeno's three areas of interest remain its 25% carried equity interest in Arvik Mines Limited, its 1.74% interest in Panarctic Oils Ltd. and its varying interests in approximately 2,854,963 gross acres in Arctic Island Oil & Gas permits.

During the year there were no significant changes to the status of Arvik's Polaris Mines on Little Cornwallis Island in the Northwest Territories. Discussions are continuing with Cominco Ltd. which owns the remaining 75% of Arvik, in order to try to obtain a commitment to commence construction.

Panarctic, the Federal Government controlled frontier oil company, raised additional capital in 1978 to cover 1979 operations through two equity financings. Bankeno did not participate, and as a result our interest decreased from 1.86% to 1.74%. A recent announcement about a well drilled at Roche Point indicated that there could be a new gas discovery. Also, a well located off-shore of the Sabine Peninsula in the Drake gas field area was completed successfully and tied into on-shore production facilities.

Stokes Range, an exploratory well in which Bankeno had a 3% carried working interest, was drilled to a total depth of 10,957 feet. Drill stem testing of several prospective zones proved unsuccessful and the well was abandoned.

On December 31, 1978, shares of Bankeno closed on the Toronto Stock Exchange at $2.25 per share. Turbo owned indirectly through subsidiaries, a total of 1,076,449 shares.

NORTHWEST SAND & GRAVEL LTD. — (private company)

Turbo Resources Limited, Raven Construction Ltd. and Oilex Industries Ltd. each hold a one-third equity interest in this company. In addition, Turbo receives regular royalty payments from Northwest, even though operations have not yet begun.

Northwest is waiting for plans by Transportation Alberta for the new northwest Edmonton arterial feeder road to be built through the gravel site, which is located approximately 22 miles northwest of Edmonton. The plans should be finalized in the near future. Gravel removal operations from this high quality gravel deposit will begin once the road is completed.

OILEX INDUSTRIES LTD. — (public company listed on Alberta Stock Exchange)

Oilex Industries Ltd. has a number of active subsidiaries and divisions.

Cee-Der Log Buildings Ltd. manufactures and markets pre-cut cedar log buildings. It has offices in Calgary and Edmonton in Alberta and Regina in Saskatchewan.

DR Drilling Records Division supplies engineering data to the petroleum industry that is used to increase drilling efficiency and reduce costs. Offices are located in Calgary, Alberta; Denver, Colorado; and Lafayette, Louisiana.

Beaver Geophysical Services provides seismic services, and is operating at capacity due to the high level of activity in the oil industry. Beaver had four seismic crews working in Canada and the United States in 1978.

On December 31, 1978, Oilex shares closed on the Alberta Stock Exchange at $2.25. Turbo owned directly 557,000 shares.

QUEENSTON GOLD MINES LIMITED — (public company listed on Montreal Stock Exchange)

As a result of a 1977 property consolidation, the company owns outright, or holds a major interest in, gold prospects in 398 claims covering 16,874 acres, mostly located in the Kirkland Lake area of Ontario.

Plans are now being formed to conduct feasibility studies and associated field work to prove up acreages and we are optimistic that Queenston is on the verge of developing substantial gold reserves during 1979 and 1980.

On December 31, 1978, shares of Queenston closed on the Montreal Stock Exchange at 45¢ per share. Turbo owned indirectly through a subsidiary a total of 3,018,300 shares.

Share Data

Per Share Financial Data

	1978	1977	% Change
Sales	$30.62	$19.78	+ 55%
Working Capital From Operations	2.99	1.37	+118%
Net Earnings A	0.89	0.58	+ 53%
Net Earnings B	1.06	0.69	+ 54%
Dividends A	0.05	0.04	+ 25%
Dividends B	0.056	—	—
Working Capital	1.26	(.10)	NA
Net Assets	15.63	5.83	+168%
Funded Debt	8.85	1.86	+375%
Common Equity	3.66	1.87	+ 96%

SHAREHOLDER DATA

	1978	1977
Number of Shareholders		
Class A Common[1]	4,261	4,226
Class B Common	5,086	—
Series A Preferred	743	658
Number of Shares Outstanding		
Common[1]	—	4,460,200
Class A Common	2,232,399	—
Class B Common	3,603,935	—
Class B Common Warrants	1,248,585	—
Series A Preferred	245,100	250,000

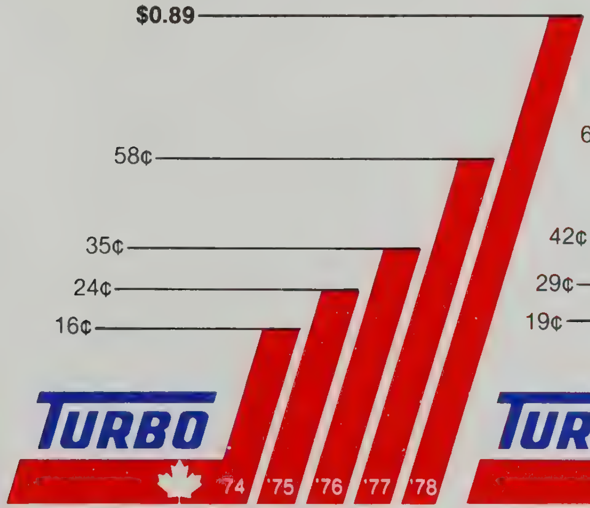
(1) Pre 1978 reclassification of Common shares into Class A and Class B common shares.

SHARE PRICE ACTIVITY & TRADING VOLUMES

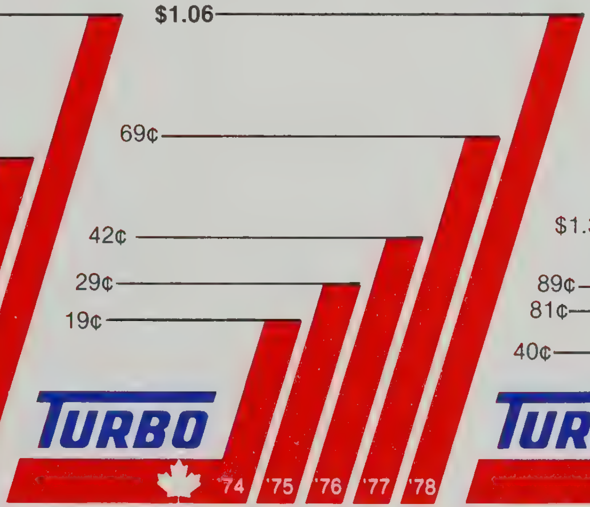
		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Closing Price		Trading Volume	
		1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977
Common[1]	High	$ 6	$ 3.25	$ 5¾	$ 4.30		$ 5¼		$ 6¼		$ 5 7/8	243,434	2,506,325
	Low	4.60	2.10	4.80	2.90		4.10		3.60				
Class A Common	High			5¾		$ 7½		$ 7½		$ 8¼		380,582	
	Low			4.80		5⅜		6¾					
Class B Common	High			5½		7⅛		8		7½		1,080,344	
	Low			4.50		4.80		6¼					
Class B Common Warrants[2]	High							3.80		3.70		638,500	
	Low							1.65					
8¾% Preferred	High	19		20		20¼		20	18 7/8	20	18 3/4	42,985	2,200
	Low	17¾		18½		18¾		18	18 1/4				

[1] Pre 1978 division of shares into Class A and Class B Common shares. [2] Listed only on Alberta Stock Exchange.

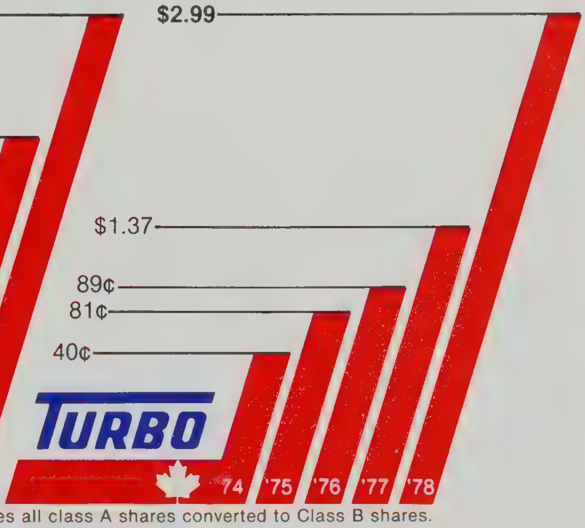
EARNINGS PER CLASS A SHARE*



EARNINGS PER CLASS B SHARE*



WORKING CAPITAL FROM OPERATIONS PER SHARE**



*Prior years restated to show effect of reorganization of share capital in 1978.

**Assumes all class A shares converted to Class B shares.

BOARD OF DIRECTORS

Ernest M. Braithwaite, B.Comm, M.B.A.
Calgary, Alberta
President,
EMB Management Consultants Ltd.

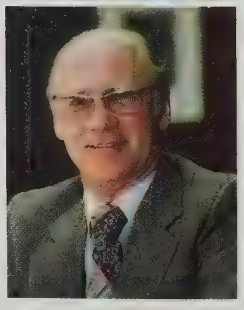
Robert G. Brawn, P.Eng.
Calgary, Alberta
President and Chief Executive Officer
Turbo Resources Limited

John W. Killick, B.Sc., Bus. Ad.
Calgary, Alberta
President,
Oilex Industries Ltd.

Frank W. King, P.Eng.
Calgary, Alberta
Vice President Manufacturing,
Turbo Resources Limited

John F. Moore, B.A., LL.B.
Calgary, Alberta
Partner,
Moore Martin

Carl O. Nickle
Calgary, Alberta
President,
Conventures Limited



Vance Kenneth Travis
Calgary, Alberta
Chairman of the Board
Turbo Resources Limited

CORPORATE OFFICERS

Roy H. Allen, B.Sc.
Vice President Resource Services

Robert G. Brawn, P.Eng.
President and Chief Executive Officer

Frank W. King, P.Eng.
Vice President Manufacturing

Ronald M. Maxwell, C.A.
Vice President Finance and Administration

John F. Moore, B.A., LL.B.
Secretary

William J. Muns, R.I.A.
Treasurer

Vance Kenneth Travis
Chairman of the Board

Frederick A. Youck
Assistant Secretary

CORPORATE AND HEAD OFFICE
1019 - 7th Avenue S.W.,
Calgary, Alberta, T2P 1A8

BANKERS
Canadian Imperial Bank of Commerce
Main Branch, Calgary, Alberta

Royal Bank of Canada
Main Branch, Calgary, Alberta

AUDITORS
Deloitte, Haskins & Sells
Chartered Accountants, Calgary, Alberta

COUNSEL
Moore Martin
Calgary, Alberta

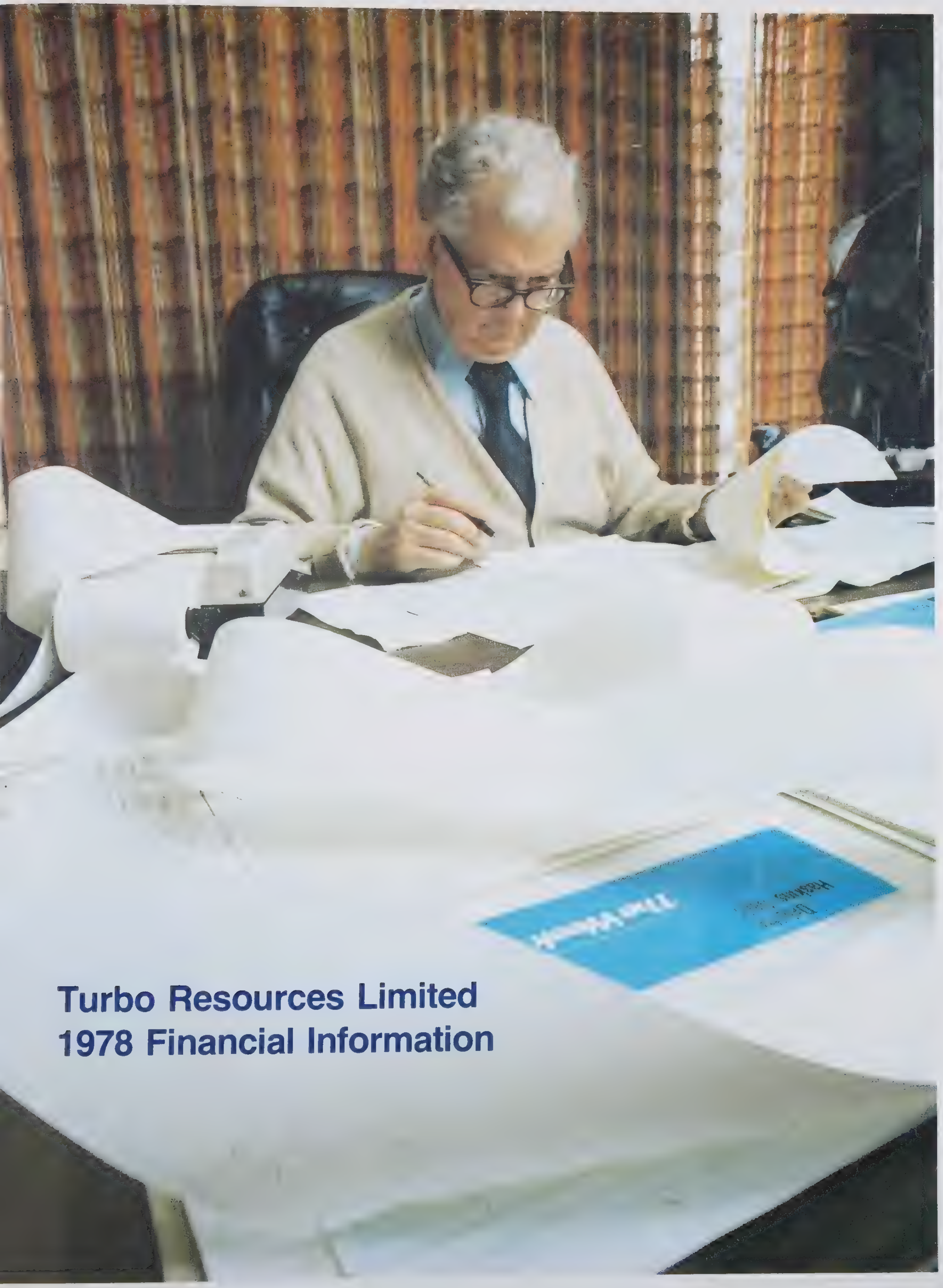
TRANSFER AGENTS AND REGISTRARS
The Canada Trust Company
Calgary, Alberta
Toronto, Ontario
Winnipeg, Manitoba

STOCK EXCHANGES
Alberta Stock Exchange
Calgary, Alberta

Toronto Stock Exchange
Toronto, Ontario

STOCK EXCHANGE SYMBOLS

Class A Common	—	TBR A
Class B Common	—	TBR B
Class B Common Warrants	—	TBR WT
Series A Preferred	—	TBR PRC



Turbo Resources Limited 1978 Financial Information

Financial Review

Major growth in Revenue, Net Income, Assets and Shareholders' Equity continue to highlight the financial results in 1978.

REVENUE

Total Revenue of $146 Million increased $57.8 Million or 65% over the 1977 Revenue of $88.2 Million.

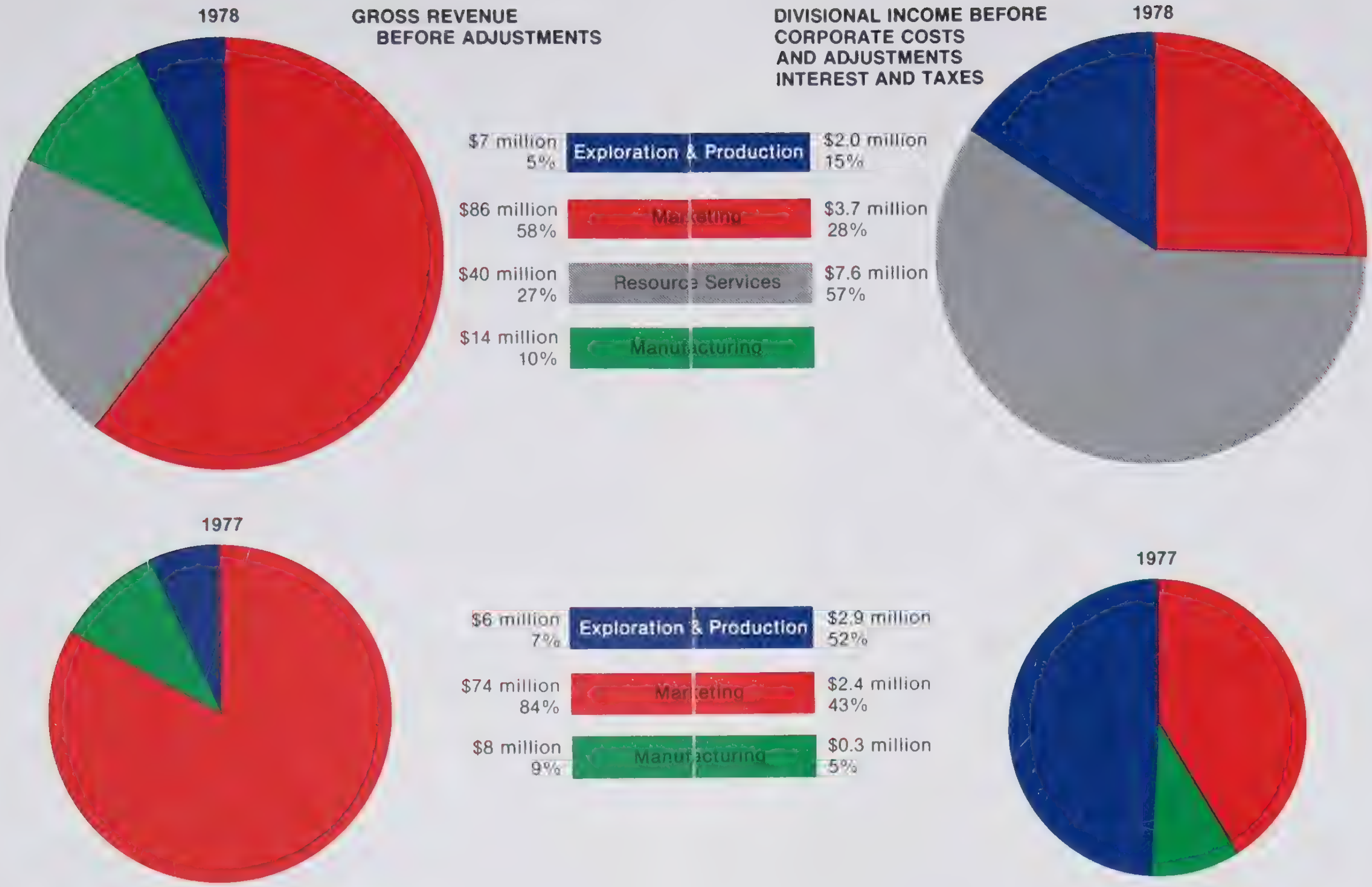
The pie charts illustrate the effect on revenues from the consolidation of Resource Services Group (Challenger International Services Ltd.) effective July 7, 1978. Resource Services Group added $40.4 Million to 1978 sales and accounts for 70% of the total sales volume increase in the year. Prior to that date, earnings were reported as Affiliate Company Earnings and amounted to $867,000 in 1978 and $250,000 in 1977.

Significant increases in Revenue and Earnings have occurred in the Resource Services Group since Turbo's initial investment in February, 1977. This is attributable to a high level of activity in the Oil and Gas Drilling Division, the addition of drilling rigs with deep drilling capacity as well as the acquisition of both a service rig company and an oilfield supply and construction equipment company.

The Manufacturing Division and its related sales and distribution branches increased their Sales Revenue by $5.9 Million to $14 Million, a healthy 73% increase. This increase results primarily from the sales generated by the purchase of the assets of two blending and packaging operations, one in Manitoba, the other in Alberta. These two operations contributed $4.2 Million of the $5.9 Million sales increase.

Marketing Division, including Transportation and Real Estate, increased their Revenues by $12.3 Million to $86.3 Million, a significant 17% increase. Gallonage sales are up 12% to a record volume of 105 Million gallons.

Revenues from Oil & Gas Production, exclusive of sale of production program, increased by $1.7 Million due to increased production and higher crude oil and natural gas prices.



INCOME BEFORE TAX

Income before tax has increased $4.9 Million to $8.9 Million, an increase of 122% from 1977.

The major share of the increase is attributable to the Resource Services Group which was included only for the last six months of the year. The balance of the increase came from the Marketing Division.

Contributions to Income from the Exploration & Production Division decreased due to reduced profits from sales of funds partially offset by increased net income from production.

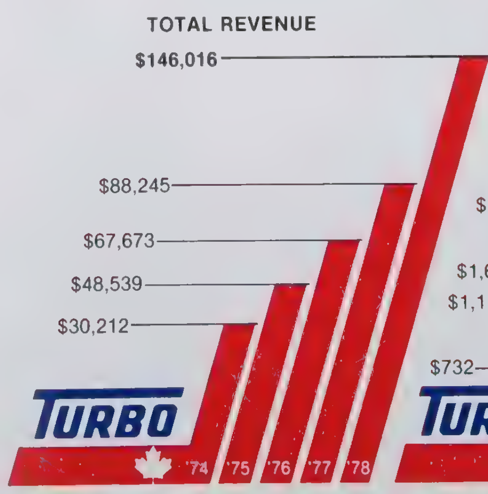
Manufacturing Division broke even last year and the reduction in contribution is primarily caused by increased expenses due to expansion and increased research and development costs.

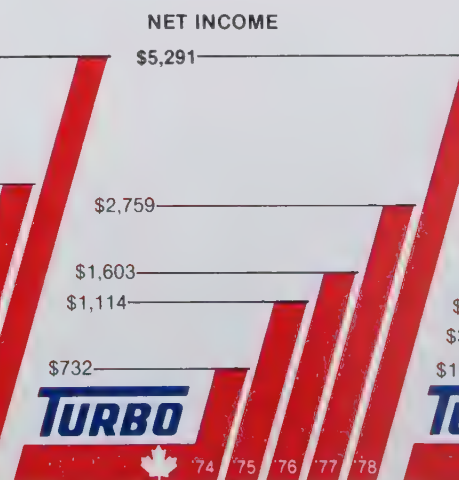
INCOME TAXES

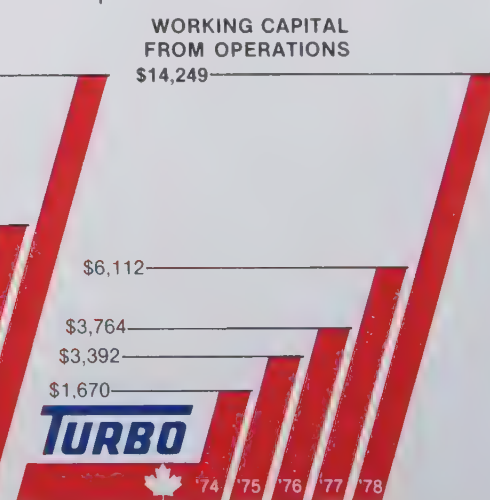
Provisions for taxes have increased to $3.5 Million from $1.3 Million. The indicated effective tax rate has increased to 40% for 1978 from 32% in 1977 mainly due to an increase in Income from sources not eligible for the reduced taxation rates applicable to Resources and Manufacturing income.

NET INCOME FOR THE YEAR

Net Income for 1978 of $5.3 Million is $2.5 Million (89%) greater than the $2.8 Million reported in 1977. As indicated in the pie charts, the major contributions to this improvement are the Marketing and Resource Services Divisions.







BALANCE SHEET

The Company's Balance Sheet reflects substantial increases in all asset categories. The gross assets have increased to $122.1 Million from $40.5 Million in 1977, a 201% increase.

Net Fixed Assets

The major Balance Sheet categories of Property, Plant and Equipment and Petroleum and Natural Gas Properties, increased from $20.3 Million in 1977 to $70.8 Million in 1978, a 249% increase. Of the increase of $50.5 Million, $34.2 Million or 68% is attributable to the consolidation of the Resource Services Group. The other major area of investment is in Exploration and Production. Investment increased $14.3 Million to $24.1 Million and accounted for 28% of the 1978 increase.

Long Term Debt

Long Term Debt increased by $36.3 Million during the year from $7.2 Million at December 31, 1977 to $43.5 Million at December 31, 1978, after deducting current maturities. Of this amount, $13.3 Million was added on the Challenger acquisition.

The ratio of long term debt to total equity increased from .54 to 1 in 1977 to 1.7 to 1 in 1978.

Major changes in the debt structure are as follows:

During the year, the Company negotiated a term loan for $17 Million repayable over six years. This loan subsequently was converted to an income debenture in March of 1979 at a non-tax deductible fluctuating interest rate of 7.4% based on the 12% bank prime rate at date of conversion. The proceeds of this term loan were used primarily to retire bank indebtedness of a shorter maturity raised during the year to finance capital additions.

Further net increases of $6 Million in term bank loans and other debt of varying rates and maturities were used primarily for capital expenditures in the Resource Services and Exploration and Production Divisions.

Shareholders' Equity

Shareholders' equity virtually has doubled during the year from $13.3 Million in 1977 to $25.9 Million in 1978. Of the $12.6 Million increase, $4.6 Million is attributable to retained earnings from this year's activity and $8 Million (net) is due to the issuance of new capital.

During the year, the authorized share capital was altered to create Class B Common Shares (non-voting) with a 20% dividend preference over the Class A voting shares. Class A Shares may be converted to Class B Shares on a one for one basis. The details of the issue of Class B Shares on the acquisition of Challenger International Services Ltd., Bishop Machinery & Supply Co. Ltd. and Pine Well Servicing Company (1977) Ltd. are more fully outlined in Notes 2 and 9 to the Financial Statements.

FINANCIAL POSITION

The Company's working capital position is the strongest in the Company's history, with a favourable $7.3 Million balance, compared to a deficit of $.6 Million in 1977.

New Funds

During 1978 a total of $53.3 Million of new funds were obtained by the Company compared to $14.6 Million in 1977. Working Capital from operations generated $14.2 Million, an increase of $8.1 Million or 133% greater than 1977 of $6.1 Million.

Proceeds from two major bank loans and other minor lenders raised $28.7 Million in 1978. Common Shares valued at $8.5 Million were issued during the year principally in connection with the arrangement with Challenger International Services Ltd. whereby the Company increased its equity from 34% to 98%. The Company generated $1.9 Million from the sale of assets, 50% represented by the disposal of a small section of the Resource Services Group.

Capital Expenditures

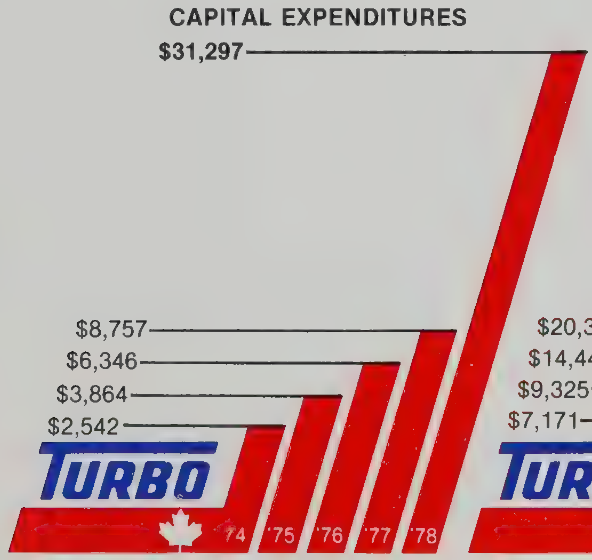
Capital Expenditures of $31.3 Million for 1978 are up $22.5 Million or 256% from the 1977 level. Major Capital Expenditures were made in each operating division during 1978. The increased capacity to produce income in each division should be reflected in 1979 results.

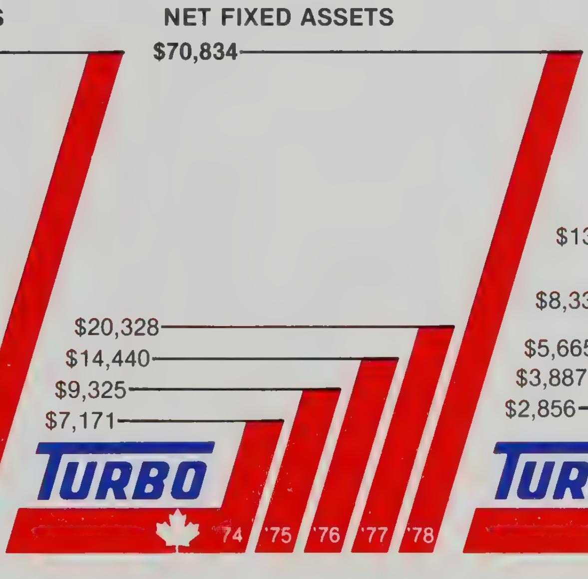
The Exploration and Production Division invested nearly $17.9 Million, the largest expenditure being the acquisition of the Canadian properties of Mapco Inc. Additional major amounts were expended on the acquisition of lands in Alberta and British Columbia and on the exploration and development drilling in Texas and in Western Canada.

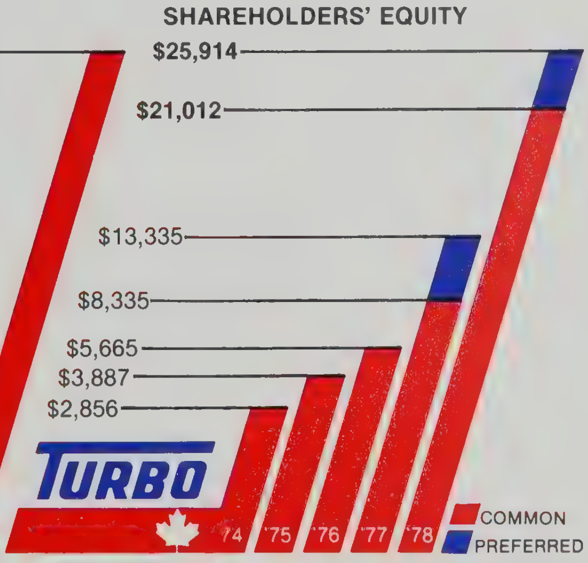
The Manufacturing Division added $1.3 Million to its capital plant. The majority of these expenditures relates to the two new operations purchased in Manitoba and Alberta early in 1978.

The Marketing Division spent approximately $1.7 Million to expand and improve its operations. This amount represents the acquisition of several new marketing outlets in Western Canada and related expenditures required to develop and equip them. Similar types of expenditures were also made to improve existing locations. Also included in this amount are expenditures by the transport division for tractors, trailers and other automotive equipment.

The Resource Services Group is reported for the first time and its expenditure during the period July 7 to December 31, 1978 of $10.2 Million includes the acquisition or major upgrading of six drilling rigs as well as associated equipment. During the calendar year, this Division approximately doubled its net fixed assets to $34.2 Million at year end.







TURBO RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at December 31, 1978

(with prior year's figures for comparison) (in thousands of dollars)

ASSETS

	1978	1977 (Restated)
CURRENT ASSETS:		
Cash	$ 764	$ 1,109
Accounts receivable — trade	26,486	6,250
Income taxes recoverable	—	184
Notes receivable:		
TBR Gas & Oil Production Funds and Program	6,793	4,167
Other	455	—
Inventories (Note 4)	10,237	3,180
Prepaid expenses	723	103
Total current assets	45,458	14,993
INVESTMENTS (Note 5)	3,698	3,819
PROPERTY, PLANT AND EQUIPMENT (Note 6)	49,650	10,920
PETROLEUM AND NATURAL GAS PROPERTIES	21,184	9,408
OTHER ASSETS (Note 7)	2,072	1,404
TOTAL	$122,062	$ 40,544

Approved by the Board:

Director

Director

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1978	1977 (Restated)
CURRENT LIABILITIES:		
Bank indebtedness (Note 8)	$ 7,176	$ 550
Accounts payable and accrued liabilities	21,241	13,781
Advances on contracts in progress	2,120	—
Notes payable	—	76
Income taxes	291	75
Current portion of long-term debt (Note 8)	7,313	1,080
Total current liabilities	38,141	15,562
LONG-TERM DEBT (Note 8)	43,499	7,240
DEFERRED INCOME TAXES	12,842	4,357
MINORITY INTEREST	1,666	50
SHAREHOLDERS' EQUITY:		
Share capital (Note 9):		
Issued and fully paid:		
Preferred shares, Series A	4,902	5,000
Class A common shares	1,697	—
Class B common shares	9,373	—
Common shares	—	3,438
Contributed surplus (Note 10)	465	—
Retained earnings	9,477	4,897
Total shareholders' equity	25,914	13,335
TOTAL	$122,062	$ 40,544

TURBO RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1978
(with prior year's figures for comparison) (in thousands of dollars)

	1978	1977 (Restated)
INCOME:		
Sales (Note 11)	$144,981	$ 87,813
Share of after-tax income of affiliated companies (Note 5)	1,035	432
Total income	146,016	88,245
COSTS AND EXPENSES:		
Cost of sales (Note 11)	118,535	74,949
Indirect costs including general and administrative	11,146	7,050
Interest on debt:		
Short-term	907	185
Long-term	1,921	1,057
Depreciation, depletion and amortization	4,620	963
Total costs and expenses	137,129	84,204
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	8,887	4,041
PROVISION FOR INCOME TAXES:		
Current	218	75
Alberta Royalty Tax Credit	(109)	(96)
Deferred	3,435	1,303
Net provision for income taxes	3,544	1,282
INCOME BEFORE MINORITY INTEREST	5,343	2,759
MINORITY INTEREST	52	—
NET INCOME FOR THE YEAR	$ 5,291	$ 2,759
EARNINGS PER SHARE (Note 12):		
Basic:		
Class A	$ .89	$ .58
Class B	$ 1.06	$ .69
Fully diluted:		
Class A	$ .86	
Class B	$ 1.04	

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1978
(with prior year's figures for comparison) (in thousands of dollars)

	1978	1977 (Restated)
WORKING CAPITAL PROVIDED:		
From operations	**$14,249**	$ 6,112
Proceeds from long-term debt	**28,680**	3,588
Issuance of common shares	**8,455**	115
Proceeds on disposal of property, plant and equipment	**1,939**	31
Issuance of $8^3/_4$% cumulative redeemable first preferred shares, Series A, less cost of issuance	**—**	4,748
Proceeds on sale of shares in affiliated company	**—**	18
Total working capital provided	**53,323**	14,612
WORKING CAPITAL APPLIED:		
Additions to property, plant and equipment	**16,234**	2,268
Additions to petroleum and natural gas properties	**14,848**	6,083
Acquisition of subsidiaries (Note 2)	**6,848**	242
Repayment or reclassification of long-term debt	**5,757**	1,693
Purchase of investments	**728**	3,040
Dividends declared	**711**	272
Acquisition of other assets	**215**	406
Redemption of $8^3/_4$% cumulative redeemable first preferred shares, Series A	**96**	—
Total working capital applied	**45,437**	14,004
INCREASE IN WORKING CAPITAL FOR THE YEAR	**7,886**	608
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF THE YEAR	**(569)**	(1,177)
WORKING CAPITAL (DEFICIENCY) AT END OF THE YEAR	**$ 7,317**	$ (569)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1978
(with prior year's figures for comparison) (in thousands of dollars)

	1978	1977 (Restated)
RETAINED EARNINGS AT BEGINNING OF THE YEAR:		
As previously reported	$ 4,766	$ 2,643
Adjustment of prior year's figures (Note 3)	131	—
As restated	4,897	2,643
ADD:		
Net income for the year	5,291	2,759
	10,188	5,402
DEDUCT:		
Dividends declared:		
Preferred shares	439	98
Common shares	89	173
Class A common shares	68	—
Class B common shares	115	—
Cost of issuance of $8^3/_4$% first preferred shares, Series A, net of deferred taxes recoverable of $18,000	—	234
	711	505
RETAINED EARNINGS AT END OF THE YEAR	$ 9,477	$ 4,897

The accompanying notes are an integral part of the consolidated financial statements.

Auditors' Report

To the Shareholders of
Turbo Resources Limited:

We have examined the consolidated balance sheet of Turbo Resources Limited as at December 31, 1978 and the consolidated statements of retained earnings, income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 11, 1979
Calgary, Alberta

Deloitte, Haskins & Sells
Chartered Accountants

Notes to the Consolidated Financial Statements

DECEMBER 31, 1978
(all tabular amounts in thousands of dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation

The consolidated financial statements include the accounts of Turbo Resources Limited, all its wholly-owned subsidiaries, Challenger International Services Ltd. (98.27% equity interest, 92.35% voting control) and Leaside Resources, Inc. (90% owned).

The unallocated excess of cost of investment in subsidiaries over net assets acquired at the dates of acquisition is carried at cost of $912,000 (1977 — $732,000) less accumulated amortization of $173,000 (1977 — $135,000). The amortization period is twenty-five years.

(b) Valuation of inventories

Finished products and manufacturing inventories are valued at the lower of cost and net realizable value. Drilling materials and supplies, raw materials, drums and pallets are valued at the lower of cost and replacement cost.

(c) Valuation of investments in shares of affiliated companies

Investments are accounted for using the equity method. Under this method, the cost of the investment is adjusted for the company's share of income or loss and capital transactions, and for an appropriate portion of the difference between cost and net asset value of the investment at date of acquisition.

(d) Property, plant and equipment

Property, plant and equipment is recorded principally at cost and depreciation is provided as follows:

Petroleum and natural gas production equipment — on the unit-of-production basis used to compute depletion on petroleum and natural gas properties.

Oil and gas rigs — at a standard operating rate per day.

Buildings, storage tanks and equipment — on both straight-line and diminishing-balance bases.

In all cases, the methods used are designed to amortize the cost of these assets over their estimated useful lives. Gains or losses on disposition are included in the consolidated statement of income.

During the year the method of providing for depreciation of petroleum and natural gas production equipment was retroactively changed from the straight-line to the unit-of-production basis to more appropriately allocate to operations the cost of these assets.

(e) Valuation of petroleum and natural gas properties

The company follows the full cost method of accounting for its petroleum and natural gas properties wherein all costs relative to the exploration for and development of petroleum and natural gas and related reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on undeveloped properties, costs of drilling both productive and non-productive wells, and all technical and administrative overhead directly related to exploration and development activities. No gains or losses are recognized upon the sale or disposition of properties except in circumstances which result in significant dispositions of reserves. Provision for depletion of the net costs is computed on the composite unit-of-production method based on proven developed reserves as determined by independent consulting engineers.

A significant portion of the company's petroleum and natural gas activity is conducted through joint ventures.

In prior years, the policy for accounting for the costs of petroleum and natural gas properties excluded any portion of technical and administrative overhead directly related to exploring for and development of petroleum and natural gas and related reserves.

Petroleum and natural gas properties are carried at cost of $22,523,000 at December 31, 1978 (1977 — $10,044,000) less accumulated depletion of $1,339,000 at December 31, 1978 (1977 — $636,000).

(f) Deferred process and design costs

Disposition of these costs is dependent upon the outcome of a review of an application to the Energy Resources Conservation Board for the construction of a refinery.

(g) Foreign currency translation

For the purpose of consolidation, the company has translated the accounts of its foreign subsidiaries to Canadian dollars as follows:

Current assets, excluding inventories and prepaid expenses, and current liabilities — at the rate of exchange prevailing at the year-end.

Income and expenses — at the average rate prevailing for the year.

Other assets and liabilities — at exchange rates prevailing at the time of acquisition or incurrence.

Translation gains and losses are included in the consolidated statement of income.

2. ACQUISITION OF SUBSIDIARIES:

During 1978, Turbo increased its investment in Challenger International Services Ltd. (formerly Upper Canada Resources Limited) from 34% to a voting interest of 92.35% (98.27% equity interest) primarily by means of a share exchange.

Under the arrangement Turbo offered the Class A Special Shareholders of Challenger International Services Ltd. ("Challenger") the following options:

(i) Exchange their shares for Class B common shares of Turbo Resources Limited together with warrants to purchase Class B Turbo shares, on the basis of 5 Class B Turbo shares plus warrants to purchase 5 Class B Turbo shares, for each Challenger Class A Special share. The warrants are exercisable at $6.00 per share to December 1, 1980 and thereafter at $7.50 per share to December 1, 1982;

(ii) Exchange their shares for Class B common shares of Turbo, excluding warrants, on the basis of 5.5 Turbo Class B common shares for each Challenger Class A Special share.

As a result of the share exchange, Turbo issued 1,310,117 Class B common shares valued at $6.00 per share and 1,248,935 warrants to purchase Class B common shares.

Also during 1978, Turbo acquired all the outstanding shares of Bishop Machinery and Supply Company Ltd. and Pine Well Servicing Company (1977) Ltd.

These acquisitions have been accounted for using the purchase method, with the result that the consolidated statement of income includes the result of operations from the respective dates of acquisition:

Bishop	— June 1, 1978
Challenger	— July 7, 1978
Pine Well	— October 6, 1978

Details of these acquisitions are as follows:

	Challenger	Bishop	Pine Well	Total
Property, plant and equipment	$22,994	$ 39	$4,844	$27,877
Investments	2,321	—	—	2,321
Other assets	311	—	—	311
Total non-current assets	25,626	39	4,844	30,509
Long-term debt	11,110	202	2,024	13,336
Deferred taxes	4,115	—	575	4,690
Total non-current liabilities	15,225	202	2,599	18,026
Net non-current assets	10,401	(163)	2,245	12,483
Working capital	2,825	233	42	3,100
Excess of cost of investment over net assets acquired	—	180	—	180
Total	13,226	250	2,287	15,763
Minority interest	1,610	—	—	1,610
Turbo's portion	$11,616	$250	$2,287	$14,153

Represented by:	Challenger	Bishop	Pine Well	Total
Share of earnings prior to date of offer	$ 1,163	$ —	$ —	$ 1,163
Cash paid — in 1977 to acquire 34% interest	3,042	—	—	3,042
— in 1978 prior to date of offer	1,049	—	—	1,049
Issue of Turbo B shares:				
1,060,367 at $6.00 per share and 999,185 warrants	6,362	—	—	6,362
41,667 at $6.00 per share	—	250	—	250
163,500 Turbo B shares, held by subsidiaries, at $7.00 per share	—	—	1,144	1,144
Cash	—	—	1,143	1,143
	$11,616	$250	$2,287	$14,153

Of the shares and warrants issued in the share exchange referred to above, 249,750 Class B common shares and 249,750 warrants were issued to wholly-owned subsidiaries in exchange for Challenger Class A Special shares held by them.

3. RESTATEMENT OF PRIOR YEAR'S FIGURES:

As a result of retroactive application of the changes in accounting policies described in Notes 1(d) and (e), 1977 net income has been increased by $86,000 (net of $76,000 deferred taxes) relating to capitalization of technical and administrative overhead and $45,000 (net of $39,000 deferred taxes) relating to depreciation of petroleum and natural gas production equipment.

The effect of these changes is not significant for 1978 or years prior to 1977.

4. INVENTORIES:

	1978	1977
Drilling materials and supplies	**$ 2,398**	$ —
Manufacturing inventories	**3,176**	—
Finished products	**2,941**	2,079
Raw materials, drums and pallets	**1,722**	1,101
	$10,237	$ 3,180

5. INVESTMENTS:

	% Ownership	December 31 Market Value		Carrying Value	
		1978	1977	**1978**	1977
Affiliated companies:					
Held by Turbo:					
Challenger International Services Ltd. (See Note 2)	34%	**$ —**	$6,660	**$ —**	$3,291
Oilex Industries Ltd.	43%	**1,253**	1,470	**716**	528
TBR Gas and Oil Production Fund #4.	50%	not quoted		**303**	—
Held by Challenger:					
Bankeno Mines Limited:					
Shares	23%	**2,159**	—	**941**	—
Advances				**163**	—
Queenston Gold Mines Limited:					
Shares	44%	**1,358**	—	**579**	—
Convertible note receivable				**227**	—
HSB Ltda.:					
Shares	50%	not quoted		**36**	—
Advances				**240**	—
Other		not quoted		**493**	—
				$3,698	$3,819

Market values are based on published quotations. Because of the significant interests which these holdings represent, such values may be greater or less than those which might be realized if the shares were offered for sale.

The consolidated statement of income includes Turbo's 34% share of the earnings of Challenger for the period from October 1, 1977 to July 7, 1978. Turbo's share of Challenger's earnings for the three months ended December 31, 1977 was excluded from the consolidated statement of income for 1977 as such earnings were unaudited at that time.

Turbo's 1978 share of income of affiliated companies has been reduced by its $81,000 share of an extraordinary charge in Oilex Industries Ltd. relative to the disposition of a segment of its business.

6. PROPERTY, PLANT AND EQUIPMENT:

	1978	1977	**Depreciation Rates**
		(Restated)	
Land	**$ 3,703**	$ 2,959	—
Buildings and leasehold improvements	**4,851**	3,724	$2^1/_2$ - 20%
Trucking and automotive equipment	**1,106**	919	30%
Drilling and service rigs and related equipment	**34,678**	—	Daily rates and 10 - 20%
Storage tanks and other equipment	**4,168**	3,334	3 - 30%
Petroleum and natural gas production equipment	**5,809**	2,394	See Note 1(d)
Total cost	**54,315**	13,330	
Less accumulated depreciation	4,665	2,410	
	$49,650	$10,920	

7. OTHER ASSETS:

	1978	1977
Deferred process and design costs	**$ 359**	$ 397
Deposits	**52**	112
Loans to officers and employees to purchase shares and warrants	**630**	—
Notes receivable	**219**	298
Patents	**73**	—
Unallocated excess of cost of investment in subsidiaries over net assets acquired, less amortization	**739**	597
	$2,072	$1,404

8. LONG-TERM DEBT:

	1978	1977
Bank indebtedness bearing interest at $1^1/_2\%$ over bank prime rate ($11^1/_2\%$ at December 31, 1978), convertible to an income debenture, repayable semi-annually commencing July 31, 1979, with a final payment due January 31, 1985. Payments range from 5% to 15% of initial total principal (See Note 15)	**$17,000**	$ —
Term bank loans bearing interest ranging from $^1/_2\%$ to $1^1/_2\%$ over bank prime rate. These loans are due on demand; however the bank has indicated it will accept repayment over 5 years	**16,478**	5,507
Term bank loans for U.S. $6,800,000 bearing interest ranging from $1^3/_8\%$ over London Inter-Bank Offered Rate, ($10^3/_4\%$ at December 31, 1978), fixed on specific dates, to $^3/_4\%$ over the U.S. base rate ($12^1/_2\%$ at December 31, 1978). Repayment is substantially on a 5 year basis in equal monthly instalments	**8,035**	—
Amounts due under a purchase agreement secured by petroleum and natural gas properties. Instalments are payable monthly without interest in relation to net cash flow from these properties	**4,484**	—
Mortgages payable secured by real estate. Interest rates range from Nil to 12%. Repayable generally in equal monthly payments of combined principal and interest	**2,320**	2,344
Advance on drilling contract, bearing interest at 8%, repayable in 34 equal monthly instalments of $31,000 each, including interest	**962**	—
Promissory notes and finance contracts bearing interest at 8% to 14%	**1,533**	469
	50,812	8,320
Less current portion	**7,313**	1,080
	$43,499	$ 7,240

Principal repayments are due as follows:

1979	$ 7,313
1980	$ 7,855
1981	$ 7,763
1982	$ 7,840
1983	$ 6,594
Thereafter	$13,447

All bank borrowings are secured by:

(i) General assignments of substantially all accounts receivable, the finished product and raw material inventories and an assignment of a promissory note for $2,250,000;

(ii) Proceeds from insurance covering accounts receivable under a foreign drilling and servicing contract and physical loss of drilling and servicing rigs and equipment utilized in this foreign drilling contract;

(iii) Fixed charges on real estate;

(iv) Various floating charge demand debentures aggregating $26,600,000 on the assets of the Company, with a fixed charge on certain drilling rigs and related equipment;

(v) The Company's interest in substantially all petroleum and natural gas properties;

(vi) Hypothecation of the shares of certain subsidiaries (including Challenger International Services Ltd.) and an affiliate (940,740 shares of Bankeno Mines Limited).

9. SHARE CAPITAL:

On May 5, 1978, 10,000,000 authorized common shares without nominal or par value were altered to create:

5,000,000 Class A common shares (voting) without nominal or par value, convertible share for share into Class B common shares, maximum aggregate consideration $3,125,000.

11,000,000 Class B common shares (non-voting) without nominal or par value, carrying a per-share dividend 20% greater than that paid on Class A common shares, maximum aggregate consideration $25,000,000.

In the event of a wind-up, Class A and Class B shares have equal rights to any distributions.

The authorized 1,000,000 first preferred shares, issuable in series, having a par value of $20.00 each, remained unchanged during the year.

On the creation of Class A common and Class B common shares, each shareholder received one Class A and one Class B share for every two common shares previously held.

Details of issued share capital are as follows:

	COMMON SHARES	
	Shares	Amount
Balance at December 31, 1977	4,460,200	$ 3,438
Altered on share reorganization	(4,460,200)	(3,438)
	—	$ —

	CLASS A COMMON		CLASS B COMMON	
	Shares	Amount	Shares	Amount
Created on share reorganization	2,230,100	$ 1,719	2,230,100	$ 1,719
Issued on acquisition of subsidiaries (Note 2)	—	—	1,351,784	8,110
Stock options exercised	12,000	35	12,000	35
Class A converted to Class B	(9,701)	(8)	9,701	8
Warrants exercised	—	—	350	2
	2,232,399	1,746	3,603,935	9,874
Less: shares acquired during the year and held by subsidiaries at December 31, 1978	(9,015)	(49)	(87,817)	(501)
Balance at December 31, 1978	2,223,384	$ 1,697	3,516,118	$ 9,373

	$8^3/_4$% CUMULATIVE FIRST PREFERRED SHARES, SERIES A	
	Shares	Amount
Balance at December 31, 1977	250,000	$ 5,000
Redeemed and cancelled	4,900	98
Balance at December 31, 1978	245,100	$ 4,902

The preferred shares, Series A, are redeemable after October 1, 1982 at $21.25 reducing to $20.00 in 1987.

Stock options and warrants:

(a) On June 2, 1972 the shareholders approved a stock option plan for officers and employees.

(b) As described in Note 2 warrants for the purchase of Class B common shares were issued during 1978 in exchange for Challenger Class A Special shares.

Details of stock options and warrants are as follows:

	Stock Options		Warrants
	Class A	Class B	Class B
Balance December 31, 1977 — 88,000 common shares converted on reorganization	44,000	44,000	
Issued to replace options on Challenger shares held by officers and employees of that company	—	33,138	
Issued during the year	6,250	6,250	1,248,935
	50,250	83,388	1,248,935
Exercised during the year	12,000	12,000	350
Balance December 31, 1978	38,250	71,388	1,248,585

Stock options are outstanding at prices ranging from $1.35 to $6.30 and may be exercised to acquire up to 20% of the shares under option in any one year on a cumulative basis.

Options expire as follows:

	Class A	Class B
1979	9,000	9,000
1980	—	33,138
1981	18,000	18,000
1982	11,250	11,250
	38,250	71,388

Warrants are exercisable at $6.00 per share to December 1, 1980 and thereafter at $7.50 per share to December 1, 1982. Of the 249,750 warrants issued to subsidiaries at the time of the Challenger acquisition (Note 2), 249,385 were subsequently sold to employees and officers at prices ranging from $1.40 to $2.00 per warrant.

10. CONTRIBUTED SURPLUS:

Details are as follows:

Balance, December 31, 1977	$ —
Net excess of proceeds over cost of common shares and warrants acquired and subsequently resold (net of deferred taxes of $360,000)	463
Discount on redemption of preferred shares	2
Balance, December 31, 1978	$465

11. SALES TO TBR GAS & OIL PRODUCTION FUNDS AND PROGRAM:

Sales and cost of sales, respectively, include sales of petroleum and natural gas properties to the Funds and Program of $3,500,000 (1977 — $3,980,000) and cost of the properties sold of $2,270,000 (1977 — $1,539,000).

12. EARNINGS PER SHARE:

Due to the unique characteristics of the company's two classes of share capital (Note 9), earnings per share can be calculated on varying assumptions. The method of calculation described below is considered most representative of the interest of shareholders of each class of common share in the retained earnings of the company on an ongoing basis.

a) Basic earnings per share:

Basic earnings per share have been calculated for each class of common share based on the monthly weighted average number of shares of each class outstanding during the year and on the assumption that 100% of earnings had been distributed as dividends in the year earned, after providing for preferred share and subsidiary special share dividends. The share split described in Note 9 has been recognized as though it had occurred at the beginning of the year, with the prior year's earnings per share similarly recalculated.

b) Fully diluted earnings per share:

As the probability of conversion of Class A to Class B common shares is uncertain, no effect has been recognized for such potential future conversions in calculating fully diluted earnings per share. Stock options and warrants outstanding at December 31, 1978 have been included in the calculation of fully diluted earnings per share based on the monthly weighted average number of common shares relating to the options and warrants, as though they had been exercised at the later of the beginning of the year or the date of issue. Earnings have been adjusted by the imputed income (net of tax) which would have been earned on the proceeds, assuming an interest rate of approximately 11%.

c) Conversion of Class A to Class B:

On the assumption that all outstanding Class A shares were converted to Class B shares, basic earnings per share calculated as in a) above would be $.98 and fully diluted earnings per share calculated as in b) above would be $.96.

13. LEASE OBLIGATIONS:

The company has lease obligations expiring 1979 to 1988, covering retail gasoline outlets, equipment and office space, under which it is committed to make the following rental payments over the next five years:

1979	$1,074
1980	$ 877
1981	$ 761
1982	$ 685
1983	$ 630

14. CONTINGENT LIABILITIES:

The company is contingently liable as guarantor of the liabilities of a 50% owned joint venture amounting to U.S.$360,000. In addition, as the General Partner in five Alberta Limited Partnerships, the TBR Gas & Oil Production Funds and Program, the company has unlimited liability for the debts and obligations of such Partnerships.

Actions have commenced against a subsidiary company which drilled into an underground water system in 1976 causing icing and flooding. The extent of the subsidiary's insurance coverage in respect of certain claims is unclear, however it is the opinion of the subsidiary's legal counsel that compensatory damage claims are insured under the existing policies.

15. SUBSEQUENT EVENTS:

a) Bank indebtedness totalling $17,000,000 has been converted into an income debenture with interest at 52% of (prime plus $1^1/_2$%) plus $^3/_8$%.

b) A debenture has been granted in the amount of $12,000,000, covering existing bank indebtedness, containing a fixed charge on certain drilling and servicing rigs and related equipment.

16. REMUNERATION OF DIRECTORS AND OFFICERS:

The aggregate direct remuneration paid to directors and senior officers by the company and its subsidiaries during the year was $712,000 (1977 — $302,000).

17. COMPARATIVE FIGURES:

Certain of the prior year's figures, provided for the purpose of comparison, have been reclassified in accordance with the current year's presentation.

NINE YEAR SUMMARY

In thousands of dollars unless otherwise indicated

	1978 Dec. 31	1977 Dec. 31
FINANCIAL		
Total Income	**$146,016**	$88,245
Income Before Taxes	**8,835**	4,041
Taxes — Current	**109**	(21)
— Deferred	**3,435**	1,303
Net Earnings	**5,291**	2,759
Per Common A Share (8)	**$ .89**	$ .58
Per Common B Share (8)	**$ 1.06**	$ .69
Working Capital From Operations	**14,249**	6,112
Per Common Share (2)	**$ 2.99**	$ 1.37
Net Fixed Assets	**70,834**	20,328
Long Term Debt	**43,499**	7,240
Common Shareholders' Equity	**21,012**	8,335
Per Share (2)	**$ 3.66**	$ 1.87
CAPITAL EXPENDITURES (Net Prior to 1975)		
Petroleum and Natural Gas Properties	**14,848**	6,083
Property, Plant and Equipment	**16,234**	2,268
Other	**215**	406
RETURN ON INVESTMENT		
Net Assets (5)	**17%**	17%
Total Shareholders' Equity	**31%**	39%
Common Shareholders' Equity (6)	**40%**	45%
SHARE DATA		
Closing Share Price — Toronto Stock Exchange		
Common A Shares (7)	**$ 8.25**	$ 5.87
Common B Shares	**$ 7.50**	(1)
Preferred Shares	**$ 20.00**	$ 18.75
Closing Warrant Price — Alberta Stock Exchange	**$ 3.70**	(1)
OPERATIONAL		
MARKETING		
Number of Outlets	**221**	214
Sales in Thousands of Gallons	**104,800**	93,400
Average Thousand Gallons Per Outlet	**474**	436
EXPLORATION AND PRODUCTION		
Gross Working Interest Acres	**731,000**	327,800
Net Working Interest Acres	**193,000**	101,511
WELLS		
Gross	**148**	98
Net	**48**	38
RESERVES — Oil and Gas BCF equivalent (4)		
Proven	**63.0**	40.1
Probable	**13.0**	12.0
Total	**76.0**	52.1
Present Value of Proven Oil and Gas Reserves, after Deduction for Royalties, discounted at 10%		
Oil	**$ 3,123**	$ 3,116
Gas	**$ 35,127**	$ 19,591
Total	**$ 38,250**	$ 22,707
EMPLOYEES	**1,366**	273

(1) No figures available for comparison

(2) Assumes that all Class A shares are converted to Class B shares.

(3) Does not include 47 shallow gas wells drilled in Southern Alberta in 1975.

(4) Conversion of 1 barrel of oil equals 6 MCF of gas

(5) Net earnings plus interest expense net of taxes divided by average total assets less average current liabilities (except current maturities) and average minority interest.

1976 Dec. 31	1975 Dec. 31	1974 Dec. 31	1973 Dec. 31	1972 Dec. 31 (10 months)	1972 Feb. 29	1971 Feb. 28
$67,673	$48,539	$30,212	$19,417	$11,242	$8,341	$1,131
2,677	2,009	1,372	755	331	274	24
(57)	24	41	1	NIL	NIL	NIL
1,131	871	599	388	34	NIL	5
1,603	1,114	732	366	297	274	19
$ .35	$ .24	$ .16	$ .08	$ .07	$ .07	$ .01
$ .42	$ .29	$ .19	$ .10	$ .08	$ .08	$ .02
3,764	3,392	1,670	1,020	481	392	32
$ .89	$ .81	$ .40	$ .24	$ .12	$ .10	$ .01
14,440	9,325	7,171	5,222	3,905	2,018	719
5,645	3,361	2,991	2,503	1,918	795	281
5,665	3,887	2,856	2,207	2,127	1,233	457
$ 1.34	$ .93	$ .69	$ .53	$ .51	$ .32	$ .16
3,207	1,381	811	328	765	73	44
2,962	2,360	1,642	1,457	1,109	1,330	647
177	123	89	131	86	27	16
16%	17%	13%	10%	11%	22%	5%
41%	39%	33%	20%	19%	28%	2%
41%	39%	33%	20%	19%	28%	2%
$ 2.22	$ 1.30	$ 0.77	$ 0.75	$ 1.60	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)	(1)
206	214	186	172	144	104	54
83,500	68,000	53,700	39,000	23,000	18,210	7,000
405	318	289	227	160	175	130
96,786	152,949	123,600	58,000	79,426	22,400	2,440
79,400	56,293	35,800	19,000	13,708	5,760	244
74	53 (3)	43	28	23	4	1
33	25	23	19	16	1	1
37.8	21.4	29.8	7.2	(1)	(1)	(1)
12.0	14.4	13.4	(1)	(1)	(1)	(1)
49.9	35.8	43.2	7.2	(1)	(1)	(1)
$ 4,628	$ 3,017	$ 2,570	$ 730	(1)	(1)	(1)
$ 18,672	$ 6,995	$ 3,630	$ 660	(1)	(1)	(1)
$ 23,300	$ 10,012	$ 6,200	$ 1,390	(1)	(1)	(1)
238	183	153	122	134	125	87

(6) Net earnings, less preferred share dividends, divided by opening common shareholders' equity adjusted for common shares issued during the year.

(7) Figures prior to 1978 refer to the single class of common shares on issue.

(8) 1977 and prior years restated to show effect of reorganization of share capital in 1978

NOTE: In some instances figures previously published have been altered to reflect changes in reporting procedures.


"our strength is in growth . . . our resource is in people"

Turbo Group of Companies and Operating Divisions

SUBSIDIARIES

Becker Alaska Limited
Becker Drills Inc.
Becker Drills Ltd.
Bishop Machinery & Supply Co. Ltd.
Bramco Industries Limited
British American Chemical Company Limited
Challenger Drilling Inc.
Challenger International B.V.
Challenger International Services Ltd.
Challenger Limited
Drill Systems Inc.
Fairview Chemical Company Limited
Freeway Petroleum Transport Ltd.
Freeway Transport Ltd.
Heath & Sherwood Drilling Limited
Leaside Resources, Inc.
Les Forages Becker (Quebec) Inc.
Paramount XZIT Industries Limited
Pay-N-Save Petroleums Ltd.
Turbo Properties Ltd.
Turbo Refineries Ltd.
Turbo Resources, Inc.
Twin Oils Ltd.
Viscount Financial Services Ltd.

OPERATING DIVISIONS

Bramco Industries
Challenger Drilling
Challenger Rentals
Challenger Well Servicing
Heath & Sherwood Drilling
Petroleum Marketers (Red Ram)
Pine Well Servicing
Turbo Chemicals

AFFILIATED COMPANIES

Bankeno Mines Limited
HSB Ltda.
Lariat Oil & Gas (International) Ltd.
Northwest Sand & Gravel Ltd.
Oilex Industries Ltd.
Queenston Gold Mines Limited

DUPLICATE ANNUAL REPORTS

Some holders of Turbo Resources Limited securities receive more than one copy of our Annual Report and other information mailed to shareholders.

Special effort is made by the Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta, T2P 1B9, the Company's Transfer Agent and Registrar, to eliminate such duplications; however, if securities are registered in different names and addresses, multiple copies will be received.

Those security holders receiving more than one copy of material should contact the Company or the Transfer Agent and Registrar for account consolidation under one name.

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